Certificate in Accounting and Finance Stage Examination

Business Law Dynamics (Business Law Section)

19 August 2026
50 marks
1 hour and 45 minutes (including 15 minutes' reading time)

ICAP

Instructions to examinees:
(i) Answer all **FIVE** questions.
(ii) Answer in **black** pen only.
(iii) Use the first page of the answer script to answer the Multiple-Choice Questions.

SECTION A

QUESTION 1

Select the most appropriate answer from the options provided for each of the following Multiple-Choice Questions.

(i) Which of the following agreements is void under the Contract Act, 1872?

(a) Asif promises to reimburse Zain for expenses that Zain incurred voluntarily in protecting Asif's property from flood damage.
(b) Nadia and Sana agree to refer any dispute arising from the contract to arbitration rather than filing a suit before a court.
(c) Shoaib agrees to sell his motorcycle to Umar for Rs. 150,000 if Umar obtains a bank loan within two months.
(d) Farah agrees that, in consideration of receiving goods at a discounted price, she will never initiate legal proceedings against the supplier in respect of the contract. **(01 mark)**

(ii) Sapodilla Traders Association (STA) entered into a contract with Cantaloupe Tech (CT) for the purchase of 20 electronic voting machines for Rs. 8 million. CT agreed to deliver the machines in July 2026 for use in STA's annual elections, scheduled for 1 August 2026. STA agreed to furnish an irrevocable bank guarantee as security for payment of the purchase price.

STA failed to furnish the bank guarantee in July 2026 due to the absence of its authorized signatories. Consequently, CT did not deliver the machines. STA subsequently sued CT for breach of contract and claimed damages for non-delivery of the machines.

Under the Contract Act, 1872, is CT liable for breach of contract?

(a) Yes, because the contract did not expressly specify the order in which the reciprocal promises were to be performed.
(b) Yes, because CT failed to deliver the machines within the agreed period.
(c) No, because the obligations to furnish the bank guarantee and deliver the machines were required to be performed simultaneously.
(d) No, because the nature of the transaction required STA to furnish the bank guarantee before the delivery of the machines. **(1.5 marks)**

(iii) Consider the following statements:

(I) An arbitration agreement may be oral or written and may relate to present or future disputes, whether or not an arbitrator is named in the agreement.
(II) Unless a different intention is expressed in the arbitration agreement, the arbitrators shall have the power to make an award conditional or in the alternative.

Under the Arbitration Act, 1940, which of the following is correct?

(a) Only statement (I) is correct. (b) Only statement (II) is correct.
(c) Both statements are correct. (d) Both statements are incorrect. **(01 mark)**

(iv) Grapes Fresh Fruits (GFF) is a partnership firm consisting of four partners. The partners have unanimously designated Khalil as the managing partner, entrusting him with the responsibility of the management of GFF's business operations. Khalil wishes to admit his niece, Sarah, who is a minor, to the benefits of the partnership.

Under the Partnership Act, 1932, which of the following statements is correct?

(a) The consent of a majority of partners is required to admit Sarah to the benefits of the partnership.
(b) The consent of all partners is required to admit Sarah to the benefits of the partnership.
(c) Sarah cannot be admitted to the benefits of the partnership because she is not a close relative of one of GFF's partners.
(d) Khalil's consent alone is sufficient to admit Sarah to the benefits of the partnership because he is responsible for managing GFF's business. **(01 mark)**

(v) Alia, an investment advisor, received Rs. 10 million from Shahid in her own bank account, knowing that the funds were proceeds of drug trafficking. She invested the funds in several businesses and real estate projects to generate profits.

When the matter was investigated by the authorities, Alia denied committing any offence, arguing that she had not participated in Shahid's drug trafficking and that her role was limited to investing the funds in legitimate commercial ventures.

Under the Anti-Money Laundering Act, 2010, has Alia committed a money laundering offence?

(a) Yes, because she knowingly acquired and used the proceeds of crime that were received from Shahid.
(b) Yes, but only if it is proved that she subsequently transferred the proceeds of crime back to Shahid.
(c) No, because she did not participate in the drug trafficking from which the funds were derived.
(d) No, because she invested the proceeds of crime in legitimate commercial ventures in her capacity as an investment advisor. **(1.5 marks)**

(vi) Ahmed, an agricultural supplier, introduced a new fertilizer into the market. Bilal, a commercial farmer, agreed to purchase 500 bags of the fertilizer from Ahmed for Rs. 1,500,000. Without seeking confirmation from Ahmed, Bilal assumed that the new fertilizer was suitable for use in organic farming.

On the agreed delivery date, Bilal informed Ahmed that he intended to use the fertilizer as part of his plans to diversify into organic farming. Ahmed then explained that one of the fertilizer's active ingredients made it unsuitable for organic farming, and that it was intended only for conventional agricultural use. Bilal consequently refused to accept the delivery.

Under the Contract Act, 1872, is Bilal liable for breach of contract for refusing to accept the delivery?

(a) Yes, because a buyer is required to accept contracted goods regardless of bilateral mistake concerning their essential characteristics.
(b) Yes, because the contract is valid irrespective of the unilateral mistake made by Bilal.
(c) No, because Bilal's consent was obtained through misrepresentation.
(d) No, because both parties were mistaken about a fact essential to the agreement, making the agreement void. **(1.5 marks)**

(vii) With reference to 'fraud' under the Contract Act, 1872, which **TWO** of the following statements are incorrect?

(a) Mere silence regarding facts likely to affect another person's willingness to enter into a contract always constitutes fraud.
(b) A promise made without any intention of performing it, for the purpose of inducing another person to enter into a contract, constitutes fraud.
(c) Active concealment of a material fact by a person, with the intention of inducing another person to enter into a contract, never constitutes fraud.
(d) A false statement of fact made by a person who does not believe it to be true, with the intention of inducing another person to enter into a contract, constitutes fraud. **(01 mark)**

(viii) Raspberry Robotics (RR) entered into a contract with Guava Hotels (GH) to supply hotel-service robots manufactured by Kiwi Technologies (KT) for Rs. 25 million and to provide related maintenance and software-support services for three years for an additional fee of Rs. 3 million. The contract provided that RR would deliver the robots only if RR receives them from KT in July 2026.

Before entering into a supply contract with KT, RR informed KT that it had already contracted to sell the robots to GH for Rs. 25 million. KT agreed to supply the robots to RR by 31 July 2026 for Rs. 20 million but failed to do so. GH subsequently claimed Rs. 2 million from RR as damages for non-delivery of the robots.

Under the Contract Act, 1872, determine the amount which RR is most likely to recover from KT.

(a) Rs. 2 million (b) Rs. 5 million (c) Rs. 7 million (d) Rs. 10 million **(1.5 marks)**

SECTION B

QUESTION 2

(a) Briefly describe the legislative process for a bill initially passed by the Senate and subsequently passed by the National Assembly with amendments. **(04 marks)**

(b) Under the Negotiable Instruments Act, 1881, state any **three** features that distinguish a cheque from other bills of exchange. **(03 marks)**

QUESTION 3

(a) Pomegranate Robotics (PR) is engaged in developing automated systems for the healthcare industry. In January 2026, PR approached Mango Innovative Systems (MIS) to design, install and commission a robotic surgical system for a medical research facility under construction in Lahore.

PR informed MIS that the system was to be demonstrated at the facility's inauguration ceremony scheduled for 1 September 2026, which would be attended by a foreign delegation and potential investors. PR also informed MIS that the successful demonstration of the system was critical to securing future investment commitments.

MIS agreed to complete the system by 18 August 2026 at a contract price of Rs. 100 million. The contract provided that MIS would pay compensation of Rs. 500,000 for each week of delay beyond the agreed completion date. PR paid Rs. 25 million to MIS as an advance.

In August 2026, MIS informed PR that the system was now expected to be completed by 19 September 2026, alleging that this was due to delays by PR in approving the technical specifications and providing access to the facility for a site evaluation. Meanwhile, PR has received a quotation from another supplier offering to provide a similar system immediately for Rs. 115 million.

Under the Contract Act, 1872, discuss the course(s) of action and remedies, if any, available to PR and MIS in relation to the contract. **(06 marks)**

(b) Avocado Logistics (AL) owns and operates distribution warehouses across Pakistan. On 5 August 2026, AL offered to sell a warehouse situated in Faisalabad to Watermelon Retailers (WR) for Rs. 450 million and requested WR to communicate its acceptance by email on or before 20 August 2026.

On 19 August 2026, AL informed WR that the warehouse had been sold to another customer.

Under the Contract Act, 1872, evaluate the legal effect of each of the following independent events, assuming that each occurred independently on 18 August 2026, and advise WR of its rights, if any:

(i) AL received an acceptance letter from WR to purchase the warehouse for Rs. 450 million.
(ii) AL received an email from WR to purchase the warehouse for Rs. 420 million.
(iii) AL received WR's request to keep the offer open until 31 August 2026. **(06 marks)**

QUESTION 4

Under the Contract Act, 1872:

(a) briefly explain the circumstances in which a party to a contract is entitled to rescind the contract. **(05 marks)**

(b) explain the rules relating to the appropriation of payments, where a customer owes multiple distinct debts to the same supplier. **(04 marks)**

QUESTION 5

(a) Waqar recently approached Kamran with a proposal to establish a partnership. Waqar believes that working with Kamran would enable him to learn Kamran's business skills.

During the discussions, Kamran proposed that the following clauses be included in the partnership agreement:

- Kamran shall have the exclusive right to decide all matters relating to the conduct of the firm's business.
- Kamran shall not be liable for any act done by Waqar on behalf of the firm.
- Waqar shall not enter into any contract on behalf of the firm involving expenditure exceeding Rs. 1 million.

Under the Partnership Act, 1932, discuss whether each of the above clauses may be incorporated in the partnership agreement and the respective effect(s) thereof. **(06 marks)**

(b) Durian Technologies (DT) is a partnership firm engaged in developing software solutions for a wide range of customers. DT has three partners namely Adeel, Haris and Javeria, who share profits equally. With the consent of all the partners, Ayan, the minor son of Haris, was admitted to the benefits of the partnership with effect from 1 July 2025.

Ayan attained the age of majority on 15 March 2026. After discussing his future association with the other partners of DT, he decided to become a partner. However, he did not give public announcement of his decision.

On 20 July 2026, DT signed a major contract to develop a cybersecurity platform for an international customer. Subsequently, one of DT's partners breached a confidentiality clause of the contract. The customer initiated legal proceedings against DT and demanded compensation substantially exceeding the DT's capital.

Under the Partnership Act, 1932, advise Ayan on the courses of action available to him in the above situation. **(06 marks)**

(THE END)