

Certificate in Accounting and Finance Stage Examination

Business Law Dynamics (Business Law Section)

4 March 2026

50 marks

1 hour and 45 minutes (including 15 minutes' reading time)



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) Under the Contract Act, 1872, which of the following is **NOT** an essential requirement for a valid offer of performance in respect of supplying raw material to joint promisees?
 - (a) The offer must be made at the proper time and place
 - (b) The offer must be expressly accepted by all of the joint promisees
 - (c) The offer must be made to any one or all of the joint promisees
 - (d) The offer must be unconditional **(01 mark)**
- (ii) Under the Partnership Act, 1932, which of the following statements is correct?
 - (a) All persons who have entered into a partnership are collectively called a firm, and the name under which their business is carried on is called a particular partnership
 - (b) All persons who receive a share of the profits of a partnership firm automatically become partners with the other persons carrying on the business of the partnership firm
 - (c) The relation of partnership arises from a contract among the persons and not merely from the status
 - (d) An act of a partnership firm does not include an act done by an agent of the firm which gives rise to a right enforceable by or against the firm **(01 mark)**
- (iii) Consider the following statements:
 - (I) If the payee of a bill of exchange is a fictitious or non-existing person, then such bill of exchange may be treated as payable to bearer.
 - (II) A holder in due course means a person who without consideration becomes the possessor of a bill of exchange, before it becomes overdue.

Under the Negotiable Instruments Act, 1881, 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) Which **TWO** of the following statements about civil laws in Pakistan are **NOT** correct?
 - (a) A suit filed under civil law by a claimant cannot succeed if the wrongdoing is proven on balance of probabilities
 - (b) Any violation of civil law constitutes a crime because it regulates society through punishment
 - (c) Civil courts can order damages or remedies such as specific performance or injunction
 - (d) Civil law provides a means for an injured party to obtain compensation or other remedies for a wrongdoing suffered **(01 mark)**

- (v) Under the Contract Act, 1872, which **TWO** of the following statements regarding contingent contracts are correct?
- (a) A contingent contract to perform an act if an uncertain future event collateral to such contract happens cannot be enforced by law until that event has actually happened
 - (b) A contingent contract to perform an act upon an impossible collateral event is void, unless the parties were aware of the impossibility at the time of contract
 - (c) A contingent contract to perform an act upon an uncertain collateral event happening within a year cannot be enforced if it becomes certain that the event will not occur within the year
 - (d) All contingent contracts become void if the uncertain future events collateral to such contracts do not happen **(01 mark)**

- (vi) Hamid offered to sell his sports car to Shoaib for Rs. 20 million. Under the Contract Act, 1872, in which of the following situations would Hamid's proposal be considered to have been terminated?
- (a) Hamid sends a notice of revocation to Shoaib's brother, but the revocation does not come to Shoaib's knowledge before Shoaib accepts the proposal
 - (b) Hamid subsequently sends a notice to Shoaib requiring him to accept the proposal within one week
 - (c) Hamid sends a notice of revocation to Shoaib, but the revocation does not come to Shoaib's knowledge
 - (d) Shoaib proposes to transfer his vintage car to Hamid in exchange for the sports car **(1.5 marks)**

- (vii) On 30 June 2025, Zara, a minor, was admitted to the benefits of partnership in Gold Silver Associates (GSA), a partnership firm. On 1 January 2026, Zara attained the age of majority, and the partners of GSA required her to decide whether she wished to become a partner of the firm. On 3 March 2026, Zara gave a public notice declaring that she had elected to become a partner of GSA.

Under the Partnership Act, 1932, which of the following dates correctly states the commencement of Zara's personal liabilities towards third parties for all acts of GSA?

- (a) 30 June 2025
- (b) 1 January 2026
- (c) 3 March 2026
- (d) 30 June 2026 **(1.5 marks)**

- (viii) Mustard Paints (MP) agreed to supply 1,000 buckets of oil paints to Lemon Artists (LA) at a discounted price of Rs. 10,000 per bucket. The delivery was to be made on or before 1 March 2026. In case of delay, MP agreed to pay LA a sum of Rs. 500,000 as stipulated compensation. On the date of the agreement, the market price of each bucket was Rs. 10,300.

Subsequently, LA entered into a separate contract to paint the backdrop stage for an art exhibition, expecting a profit of Rs. 50,000, and intended to use the paint ordered to MP for that purpose. MP failed to supply the paint by 1 March 2026. As a result, LA could not complete the backdrop stage for the exhibition held on 2 March 2026.

On 4 March 2026, LA purchased 1,000 buckets of similar paint from the market at Rs. 10,700 per bucket.

Under the Contract Act, 1872, determine LA's entitlement to compensation.

- (a) LA is entitled to recover reasonable compensation not exceeding Rs. 500,000, even though the actual loss suffered by LA due to the market price difference exceeds that amount
- (b) LA is entitled to recover the stipulated sum of Rs. 500,000, together with Rs. 50,000 towards loss of profit for not delivering the backdrop stage
- (c) LA can recover the market price difference of Rs. 700,000 only, since the contract for the art exhibition was not known to MP at the time of formation of the contract
- (d) LA can recover Rs. 400,000 only, being the difference between the market price on the date of the agreement and the price at which the buckets were purchased **(02 marks)**

SECTION B

QUESTION 2

- (a) Briefly explain what is meant by delegated legislation and describe the main methods of control exercised over it. **(03 marks)**
- (b) Under the Anti-Money Laundering Act, 2010, explain when a person may be held accountable for committing a money laundering offence. **(04 marks)**

QUESTION 3

Under the Contract Act, 1872:

- (a) discuss who may be appointed as an agent by a principal and explain how the authority of an agent is determined. **(05 marks)**
- (b) differentiate between a contingent contract and a wagering agreement. **(04 marks)**

QUESTION 4

- (a) Indigo Travel Services (ITS) is a professional travel management company engaged in providing comprehensive travel-related services to its corporate and individual clients. These services include flight bookings, accommodation arrangements, and on-ground travel support.

The following matters relate to ITS:

- ITS arranged an international trip for its loyal customer, Rehman. During the trip, Rehman became mentally incapacitated due to a medical emergency and was stranded abroad without access to funds. To ensure Rehman's safe return to Pakistan, ITS arranged basic accommodation for an extended stay of two days, provided healthy meals and prescribed medicines, and purchased a first-class air ticket for him.
- ITS arranged accommodation in Italy for its customer, Shahroze, during his prolonged stay. Upon check-out, Shahroze refused to pay to hotel the applicable tourism fee levied on tourists for the duration of their stay. ITS paid the tourism fee to the hotel on Shahroze's behalf, as failure to do so would have exposed Shahroze to legal action by the Italian authorities causing reputational damage to ITS.

After the safe return of Rehman and Shahroze to Pakistan, ITS approached Rehman's family and Shahroze to recover the respective amounts paid on their behalf. However, they argued that the payments were unauthorised and ITS had not been instructed to incur such expenses.

Under the Contract Act, 1872, discuss the legal rights of ITS and evaluate the validity of the arguments raised by Rehman's family and Shahroze. **(07 marks)**

- (b) Haris, Bilal and Saad jointly agreed to construct a two-storey building for Daniyal, who promised to pay Rs. 15 million to them jointly upon completion.

During construction, Haris, Bilal, and Saad jointly purchased construction material from Cyan Traders (CT) and promised to pay Rs. 9 million within one year. Before payment became due, Saad died, leaving assets worth Rs. 2 million to his legal heir, Fahad.

After completion of the building, CT demanded full payment from Haris, who paid the entire amount of Rs. 9 million. Daniyal later refused to pay Rs. 15 million, and Haris on his own filed a suit against him.

Under the Contract Act, 1872, discuss the rights and liabilities of Haris against Bilal, Saad, and Fahad. Also, discuss whether Haris is entitled to recover Rs. 15 million from Daniyal. **(06 marks)**

QUESTION 5

Crimson Trading and Distribution (CTD) is a partnership firm engaged in the sale and distribution of sesame oil and other edible oils, both locally and internationally. The firm consists of three partners, Ahmed, Noman, and Moiz, who share profits equally.

The following matters have arisen in connection with the affairs of the firm:

- (a) Moiz introduced a promotional scheme whereby customers purchasing 50 drums of sesame oil from CTD were entitled to buy 10 litres of vegetable ghee at a 15% discount. Since CTD does not ordinarily deal in vegetable ghee, Moiz entered into a separate arrangement with Turquoise Ghee & Co. (TGC), pursuant to which a commission of Rs. 300 per litre sold under the scheme was paid directly to Moiz.

Ahmed later observed that the commission received from TGC had not been recorded in the books of CTD. Moiz responded that the arrangement with TGC was entered into by him in his personal capacity and further contended that TGC's business does not compete with that of CTD.

Under the Partnership Act, 1932, evaluate the validity of Moiz's response and advise on the appropriate treatment of the commission received from TGC. **(04 marks)**

- (b) CTD entered into a contract to supply 10,000 drums of customised sesame oil to a customer based in Tokyo, with delivery due on or before 28 February 2026. Due to a delay in shipment, the consignment arrived in Tokyo in March 2026, following which the customer refused to accept delivery.

To mitigate the loss, Moiz immediately arranged the sale of the said consignment to another customer in Yokohama, granting a total discount of Rs. 100,000 along with free delivery. The transportation cost of Rs. 75,000 was paid by Moiz using his personal credit card.

Noman contends that Moiz acted against the interests of CTD by granting an excessive discount and further claims that Moiz is not entitled for reimbursement of the transportation cost. Noman is of the view that Moiz should instead compensate CTD by Rs. 100,000.

Under the Partnership Act, 1932, evaluate Noman's contention and determine rights and liabilities of Moiz, if any, in this regard. **(03 marks)**

- (c) With a view to improving CTD's market position and international presence, Ahmed intends to undertake the following actions on behalf of the firm:

- Expand CTD's product range by adding other oil products.
- Open a foreign currency bank account of CTD in his own name to facilitate the receipt of payment from overseas customers.
- Admit and settle claims against CTD to the extent of Rs. 200,000.
- Submit all existing and future disputes of CTD to arbitration.
- Purchase warehouses in China and Italy for the storage of CTD's products.

Under the Partnership Act, 1932, assess whether Ahmed is authorized to undertake each of the above actions on behalf of CTD. **(04 marks)**

(THE END)