Certificate in Accounting and Finance Stage Examination

Business Law Dynamics

19 August 2026
100 marks
3 hours and 15 minutes (including 15 minutes' reading time)

ICAP

Instructions to examinees:
(i) Answer all **TEN** 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)**

(ix) The board of Blueberry Foods Limited (BFL), a listed company with seven directors, held a meeting to consider a proposal to purchase specialized machinery from a supplier in which Sajid, a director of BFL, held a substantial ownership interest.

Sajid disclosed the nature of his interest before the proposal was considered. However, he remained present during the discussion, his presence was counted for quorum purposes, and he voted in favor of the resolution to approve the proposed purchase. The resolution was declared passed since five votes were cast in favor and two votes were cast against it.

Under the Companies Act, 2017, what is the legal effect of the resolution?

(a) The resolution is valid because Sajid disclosed his interest before the proposal was considered.
(b) The resolution is valid because, although Sajid's vote was void, the remaining four votes in favor constituted a majority of the valid votes cast.
(c) The resolution is not valid because Sajid's participation and vote invalidated the entire proceedings of the board meeting.
(d) The resolution is not valid because a listed company is prohibited from entering into a contract with an entity in which any of its directors has an ownership interest. **(1.5 marks)**

(x) Consider the following statements:

(I) The first directors of a company shall hold office until the election of directors in the first annual general meeting of the company.
(II) The names of the first directors of a company shall be determined by the subscribers of the memorandum of association of the company.

Under the Companies Act, 2017, 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)**

(xi) Papaya Manufacturing Limited, a public unlisted company, is to elect five directors at its AGM. Seven candidates have filed valid notices of their intention to contest the election. Noman holds 18,500 shares carrying voting rights and intends to cast all his votes in favor of one candidate.

Under the Companies Act, 2017, what is the maximum number of votes Noman may cast in favor of that candidate?

(a) 18,500 (b) 92,500 (c) 25,900 (d) 129,500 **(1.5 marks)**

(xii) Coconut Industries Limited (CIL) is the holding company of Banana Products Limited (BPL). CIL's financial year ends on 30 June, whereas BPL's financial year ends on 31 December. For the purpose of consolidated financial statements, the board of CIL considers it appropriate to align the financial years of two companies.

Under the Companies Act, 2017, which of the following statements is correct?

(a) Only CIL can make application to the SECP for aligning the year ends of both companies.
(b) Only BPL can make application to the registrar for aligning the year ends of both companies.
(c) CIL is responsible to ensure that its financial year coincides with that of the subsidiary.
(d) CIL should convene a general meeting to obtain approval of shareholders before applying to the SECP for aligning the year ends of both companies. **(01 mark)**

(xiii) On 8 April 2026, shareholders of Strawberry Textiles Limited (STL), representing 12% of the total voting power, submitted at STL's registered office a duly signed requisition stating the matters to be considered at an EOGM.

However, STL's board did not take any steps in April 2026 to call the EOGM. Consequently, the requisitioning shareholders called the EOGM themselves and it was held on 30 June 2026.

Under the Companies Act, 2017, would the EOGM be considered valid?

(a) Yes, because STL's board did not proceed within the prescribed time to call the EOGM and the EOGM was held within 90 days of 8 April 2026.
(b) Yes, because the shareholders may call an EOGM any time after the board fails to act within 21 days from the date of the requisition.
(c) No, because the shareholders are not permitted to convene an EOGM themselves.
(d) No, because the shareholders can only convene a valid EOGM after 7 July 2026. **(1.5 marks)**

(xiv) The annual financial statements of Orange Steel Limited (OSL), a listed company, were approved by the board in its meeting held on 17 August 2026. OSL's CEO is outside Pakistan and is not expected to return before 25 September 2026. Consequently, the board authorized two of its directors to sign the financial statements.

Under the Companies Act, 2017, which additional requirement must OSL satisfy for the authentication of the financial statements?

(a) Obtain the CEO's signature on the financial statements upon his return to Pakistan.
(b) Obtain the CFO's signature on the financial statements.
(c) Obtain the registrar's approval to file the financial statements without the CEO's signature.
(d) Obtain the chairman's signature on the financial statements. **(01 mark)**

(xv) Khan Bahadur, a director of Apple Chemicals Limited (ACL), planned to remain outside Pakistan for four months. Before his departure, he appointed Amir Shah, who was otherwise eligible for appointment, as an alternate director to act on his behalf during his absence. The board of ACL approved the appointment.

Upon Khan Bahadur's return to Pakistan after four months, Amir Shah continued to attend the board meetings and claimed that he remained a validly appointed director of ACL.

Under the Companies Act, 2017, which of the following statements regarding Amir Shah is correct?

(a) He became a permanent director because Khan Bahadur remained outside Pakistan for more than 90 days.
(b) He was validly appointed director during Khan Bahadur's absence but automatically vacated office upon Khan Bahadur's return to Pakistan.
(c) He was never validly appointed because a director cannot appoint another person to act in his place, even with the board's approval.
(d) He continued as a validly appointed director because the other directors did not object to his participation in the board meetings after Khan Bahadur's return. **(1.5 marks)**

(xvi) On 10 July 2026, Mulberry Transport Limited passed a resolution varying the voting rights attached to one class of its shares by reducing the voting rights attached to that class. Holders of 12% of the issued shares of the affected class did not vote in favor of the variation. On 30 July 2026, they decided to challenge the variation before the Court.

Under the Companies Act, 2017, which of the following statements is correct?

(a) They cannot challenge the variation because the resolution has already been passed.
(b) They may apply to the Court within 30 days of the resolution to have the variation cancelled.
(c) They may apply to the Court only if they hold at least 25% of the issued shares of the affected class.
(d) They may challenge the variation at any time within 90 days of the resolution. **(01 mark)**

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)**

SECTION C

QUESTION 6

Under the Companies Act, 2017:

(a) list the businesses that are regarded as ordinary business to be considered at an AGM of a company. **(03 marks)**

(b) explain the requirements that a member of a company having share capital must comply with when appointing a proxy. **(04 marks)**

QUESTION 7

Under the Companies Act, 2017:

(a) explain the provisions relating to the passing of a resolution through circulation by the board of directors. **(04 marks)**

(b) discuss the requirements that a company must comply with when altering its share capital. **(05 marks)**

QUESTION 8

Pear Technology Limited (PTL), is a public unlisted company with a paid-up share capital of Rs. 8 million, divided into 800,000 ordinary shares of Rs. 10 each. Each share carries one vote. PTL intends to raise Rs. 10 million to finance the development of a new software application.

An institutional investor has agreed to invest Rs. 10 million in PTL in exchange for an equity stake. However, the investor has requested enhanced voting rights to protect its position. To address this request, PTL's board has proposed issuing 500,000 new ordinary shares at Rs. 20 per share, with each share carrying three votes.

An EOGM was held on 18 August 2026 to obtain the approval of PTL's members, which was attended by 200 members holding 45% of the PTL's total voting power. During the EOGM, a group of members cumulatively holding 90,000 shares raised the following objections:

(i) The proposed shares cannot carry enhanced voting rights because the applicable law only permits equal voting rights for all ordinary shareholders.
(ii) The proposed issuance of shares would adversely affect the interests of existing shareholders.

Following the discussions, Khawar Javed and Khurram Murad who cumulatively represented 15% of the PTL's total voting power, demanded that a poll be conducted on the proposed resolution.

Under the Companies Act, 2017, advise the board on the validity of:

(a) the objections raised by the members of PTL in the EOGM. **(06 marks)**
(b) the demand for a poll on the proposed resolution. **(02 marks)**

QUESTION 9

Plum Agriculture Limited (PAL), a listed company, is engaged in the manufacture and export of agricultural equipment. It has a paid-up share capital of Rs. 5 billion and reserves of Rs. 500 million.

According to PAL's audited financial statements for the year ended 31 December 2025, the company's assets are allocated as follows:

	Asset value Rs. in million
Lahore Manufacturing Division (LMD)	1,200
Karachi Manufacturing Division	2,300
Bangladesh Operations (BDO)	1,000
Other assets	1,000
Total assets of PAL	**5,500**

PAL intends to replace its manufacturing facilities in Lahore and expand its operations in Bangladesh. In view of the poor performance and extensive wear and tear of LMD's manufacturing facilities, PAL's board has resolved to sell all the existing assets of LMD during the first phase of the restructuring and to acquire a new manufacturing plant and related assets during the second phase of restructuring.

To expand its operations in Bangladesh, PAL's board entered into a long-term loan agreement with Raisin Bank, which operates exclusively in Bangladesh, on 1 June 2026. The loan amounted to BDT 150 million and was secured by a mortgage over BDO's immovable assets located in Dhaka. The instrument evidencing the creation of charge was executed on 10 July 2026 and was received in Pakistan on 13 July 2026.

Under the Companies Act, 2017:

(a) discuss the course of actions to be followed by PAL to sell LMD's assets; and **(03 marks)**
(b) explain PAL's obligations relating to registration of the charge created over BDO's assets. **(04 marks)**

QUESTION 10

Apricot Engineering Limited (AEL) is a listed company with a paid-up share capital of Rs. 1 billion and is engaged in manufacturing industrial machinery. AEL is a subsidiary of Blackberry Industrial Holdings Limited (BIHL).

On 15 February 2026, AEL approved a plan to expand its manufacturing facility to meet the increasing demand for its products. For this purpose, AEL requires additional land adjacent to its existing factory. Ali Ahmed, the chairman of AEL's board and also a director of BIHL, offered to sell AEL a plot of land owned by him. AEL intends to acquire the plot in consideration for the issuance of shares of equivalent value to Ali Ahmed.

(a) Under the Companies Act, 2017, briefly explain the key procedures that AEL must follow to acquire the plot of land from Ali Ahmed. **(04 marks)**
(Ignore the provisions related to issuance of shares and notice of meetings)

Assume that AEL has acquired the land and commenced construction activities.

On 1 March 2026, AEL urgently required construction materials costing Rs. 400 million. To avoid delays in the expansion project, Bashir Rana, an executive director of AEL, negotiated the terms of a contract on behalf of AEL for the purchase of construction materials from Fig Traders (Private) Limited (FTL).

Although the price quoted by FTL was approximately 10% higher than the competing quotations, FTL offered immediate delivery. On Bashir Rana's recommendation, AEL's board approved the transaction. Bashir Rana presented the proposal at the board meeting and voted in favor of the resolution. Subsequently, it was discovered that Bashir Rana also served as a director of FTL.

(b) Under the Companies Act, 2017, evaluate the above transaction and identify any deficiencies or non-compliances in its approval. **(05 marks)**

(THE END)