

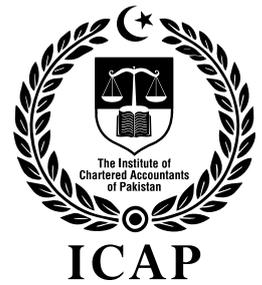
# Certificate in Accounting and Finance Stage Examination

## Business Law Dynamics

4 March 2026

100 marks

3 hours and 15 minutes (including 15 minutes' reading time)



### **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) 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)**

- (ix) Under the Companies Act, 2017, which of the following particulars is **NOT** required to be included in the statutory report of a listed company?
- (a) The total number of shares allotted, distinguishing between shares allotted for cash and shares allotted for consideration other than cash
  - (b) The nature and details of the company's assets, including their cost and book value, duly ascertained by a registered valuer
  - (c) The particulars of any contract to be modified, for which the approval of the statutory meeting is required, together with the proposed modification
  - (d) The extent to which underwriting contracts have been carried out, together with the reasons for their non-performance, if any **(01 mark)**

- (x) Consider the following statements:

- (I) At the time of formation of Gold Fabrics (Pvt) Ltd (GFL), Akhtar undertakes to subscribe 5,000 shares of Rs. 20 each. This amount shall be a debt due from him and shall be paid at the time of subscribing to GFL's memorandum of association.
- (II) Upon the change of name of Teal Foods Ltd to Teal Foods Processing Ltd, the registrar shall enter Teal Foods Processing Ltd on the register in place of Teal Foods Ltd, and shall issue a fresh certificate of incorporation altered to meet the circumstances of the case.

Which of the following is correct under the Companies Act, 2017?

- (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) Amber Plastic Ltd (APL) has obtained a long-term loan from Blue Bank Ltd (BBL) against a first charge on its three factory buildings. The charge was duly created, but certain statutory compliances were not properly made. One of the factory buildings was later sold to Maroon Plastics Ltd (MPL).

Under the Companies Act, 2017, which of the following statements is **NOT** correct?

- (a) APL was required to file the prescribed particulars of the charge with the registrar within thirty days of its creation
- (b) If APL failed to register the charge within the prescribed period, BBL could apply for registration and recover the registration fees from APL
- (c) The registrar may, on evidence of purchase produced by MPL, record the release of the charge relating to the factory building sold to MPL and make the entries in the register
- (d) Once the debt has been paid in full, the registrar may, despite no intimation from APL, record satisfaction of the charge upon being satisfied with the evidence produced by MPL **(01 mark)**

- (xii) Beige Construction (Pvt) Limited (BCL) requires specialized services for a project. Akbar Ghazi, the Chief Operating Officer of BCL, proposes that the required services be procured from his partnership firm, Gray Associates (GA), which provides such services. The CEO instructed the relevant department to inspect GA's facilities and finalize the terms of the proposed arrangement for approval.

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

- (a) The agreement shall become binding upon execution by the CEO, as the CEO has authority to approve arrangements of this nature on behalf of the company
- (b) The matter must be placed with BCL's board before the execution of the agreement, with disclosure of Akbar Ghazi's interest in the proposed transaction
- (c) Since BCL and GA are not associated undertakings and the transaction is routine in nature, and the CEO is fully aware of Akbar Ghazi's involvement, no further disclosure is required
- (d) As BCL and GA are not associated undertakings, the agreement may be executed, and Akbar Ghazi's interest may be disclosed at the next board meeting **(01 mark)**

- (xiii) Under the Companies Act, 2017, which of the following statements is correct regarding the filing of annual return containing the prescribed particulars with the registrar?
- Every company shall file such return on or before the date of the annual general meeting
  - Every company shall file such return within thirty days from the date of the annual general meeting held in the year unless there is no change in particulars during the year
  - A company not having a share capital shall file such return as on the date of the annual general meeting or, where no such meeting is held, on the last day of the calendar year
  - Every company, for special reasons, is entitled for the extension of the period of such filing with the registrar, not exceeding fifteen days **(01 mark)**
- (xiv) Green Foods Limited (GFL), a listed company, has a paid-up capital of Rs. 450 million divided into shares of Rs. 10 each. GFL issued a notice on 16 February 2026 for its annual general meeting to be held on 18 March 2026.

On 2 March 2026, Abdul Ghani, who holds 2.26 million shares of GFL, submitted a notice proposing a resolution to modify the powers and duties of directors as contained in the articles of association of the company.

Under the Companies Act, 2017, is Abdul Ghani eligible to give such notice of resolution?

- Yes, because he holds more than the prescribed shareholding threshold and the notice was given within the required time limit
  - Yes, because any member of a company is entitled to propose a resolution for consideration by the members
  - No, because a member may only give notice of a resolution if the meeting is requisitioned by the members and the notice is sent along with such requisition
  - No, because the proposed resolution relates to alteration of articles, which can only be initiated by the board of directors **(1.5 marks)**
- (xv) Orange Textile Ltd (OTL) is a public unlisted company. On 7 December 2025, one of its directors, Azhar Zulfikar, died, as a result of which the number of directors fell below the statutory minimum requirement. The articles of association of OTL are silent on the filling of casual vacancies. On 27 January 2026, the name of Kamran was suggested for appointment as a director.

Under the Companies Act, 2017, which of the following statements is correct regarding the appointment of a director to fill the casual vacancy?

- The casual vacancy must be filled by appointing Kamran not later than 6 March 2026
  - OTL's directors should approve a resolution for the appointment of Kamran as a director for three years
  - Kamran is required to give his written consent to act as a director, and the directors may fill the casual vacancy by passing a resolution at a duly convened directors' meeting
  - The casual vacancy shall be filled only on the date a special resolution is passed approving Kamran's appointment **(1.5 marks)**
- (xvi) Consider the following entities:
- Pink Technologies Limited, incorporated in 1958 under the Companies Act, 1913
  - Rose River Co-operative Housing Society Limited, registered in 2010 in Lahore under the Co-operative Societies Act, 1925
  - National Highway Authority, established in 1992 under the National Highway Authority Act, 1991
  - Violet Systems Inc., incorporated in 1997 in the State of Delaware, USA

Which of the following correctly identifies the entities that fall within the definition of "body corporate" under the Companies Act, 2017?

- Entities (I) and (IV) only
- Entities (III) and (IV) only
- Entities (I), (II) and (III) only
- Entities (I), (III) and (IV) only **(02 marks)**

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**SECTION B**

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**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)**

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**SECTION C**

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**QUESTION 6**

- (a) The license of a company formed for not-for-profit objects has been revoked by the SECP. Under the Companies Act, 2017, discuss the consequences of revocation of license and state the procedures required to be followed by the company. **(05 marks)**
- (b) Under the Companies Act, 2017, list the circumstances under which a person who is not a member of the company may be eligible for appointment as a director. **(03 marks)**

**QUESTION 7**

- (a) Aqua Bike (Pvt) Limited (ABL), a motorcycle assembling company, was incorporated on 1 July 2019 with a paid-up capital of Rs. 2 million, divided into shares of Rs. 10 each. The company currently has five directors.

ABL had acquired 50,000 shares of Black Tyres (Pvt) Limited (BTL) on 1 April 2025. BTL has a paid-up capital of 80,000 shares of Rs. 10 each. Both ABL and BTL have the same financial year-end, i.e., 31 March, and all statutory requirements relating to the share transfer have been duly completed.

At a board meeting held on 2 March 2026, the directors discussed the finalization of the annual financial statements and resolved to hold the Annual General Meeting (AGM) on 29 July 2026. The board was informed that no special business would be transacted at the AGM.

Under the Companies Act, 2017, discuss the requirements relating to the preparation and approval of ABL's financial statements, and outline the statutory filing requirements. **(05 marks)**

- (b) Assume that, at the same board meeting discussed in part (a) above, the Chairman informed the board that he would be unable to attend the AGM due to unavoidable reasons. Shoaib Ali, a director, proposed that the AGM be rescheduled to 13 August 2026. However, another director, Zafar Ahmed, suggested that the matters be approved through circulation instead of rescheduling the AGM.

Under the Companies Act, 2017, explain the requirements that must be complied with for holding the AGM at an extended date, and evaluate the suggestion made by Zafar Ahmed. **(03 marks)**

**QUESTION 8**

Yellow Telecom Limited (YTL) is a public unlisted company with a paid-up share capital of Rs. 30 million. YTL has ten members, each holding 10% of the voting power.

The board of directors is of the view that, in light of the strong prospects for revenue growth, YTL should diversify into media and broadcasting services and discontinue its existing telecom business. This new line of business requires obtaining a specific licence from the Pakistan Electronic Media Regulatory Authority (PEMRA).

- (a) Under the Companies Act, 2017, advise on the steps required to be taken by YTL in order to engage in the proposed business. **(05 marks)**

An extraordinary general meeting (EOGM) was convened by YTL on 25 February 2026 at 5:00 p.m. to consider and approve the aforesaid proposal. Out of ten members, three members including Zia, attended the meeting in person. Farid, one of the members, had deposited a proxy in favour of Zia with the company secretary at 11:00 a.m. on 24 February 2026. Zia was the only member who voted against the proposal.

- (b) Under the Companies Act, 2017, discuss the effects of non-participation of members in the EOGM and evaluate the validity of the resolution passed at the meeting. **(05 marks)**

**QUESTION 9**

Under the Companies Act, 2017:

- (a) describe the manner in which the rights of shareholders of a company may be varied. **(03 marks)**
- (b) discuss the restrictions imposed on a subsidiary company in respect of non-cash transactions with a director of its holding company. **(03 marks)**

**QUESTION 10**

- (a) Under the Companies Act, 2017, discuss the requirements that must be complied with by a borrower in the event of modification of charges previously registered in favour of a bank. **(03 marks)**
- (b) White Rice Limited (WRL) is an unlisted public company engaged in the export of rice. In the previous year, WRL acquired a 15% shareholding in Charcoal Bags Limited (CBL) and nominated one of its directors, Zafar, to the board of directors of CBL.

Based on Zafar's recommendation, CBL plans to import new machinery to improve the quality of bags supplied to WRL and has requested WRL on 23 February 2026, to provide financial assistance of Rs. 50 million for a period of three years.

Under the Companies Act, 2017, specify all the conditions that must be satisfied by WRL before it can grant the proposed financial assistance to CBL. **(05 marks)**

**(THE END)**