



Business Law

Instructions to examinees:

- (i) Answer all **ELEVEN** questions.
- (ii) Answer using **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) Tipu provided a loan to Wasi against the guarantees of Iqbal, Meher and Baqir. It was agreed that in the event of Wasi's default, Iqbal, Meher and Baqir would contribute to the extent of Rs. 5,000, Rs. 8,000 and Rs. 12,000 respectively. Wasi has defaulted to the extent of Rs. 15,000.
 - (a) All the three sureties are liable to pay Rs. 5,000 each
 - (b) Iqbal is liable for Rs. 3,000, Meher for Rs. 4,800 and Baqir for Rs. 7,200
 - (c) Iqbal is liable for Rs. 5,000, Meher for Rs. 8,000 and Baqir for Rs. 2,000
 - (d) Iqbal and Meher are liable for Rs. 1,500 each and Baqir is liable for Rs. 12,000
- (ii) The term '*Quid pro quo*' means:
 - (a) something in return
 - (b) something important
 - (c) something of value
 - (d) something relevant
- (iii) To constitute a wager, which of the following elements should **NOT** be present in the agreement?
 - (a) Uncertain event
 - (b) Each party must be in a win or lose situation
 - (c) Neither party should have any control over the event
 - (d) There should be a promise to pay money only
- (iv) Ibrahim directs his attorney to acquire a piece of land in Hyderabad by employing an estate agent for the purpose. Attorney appoints Bukhari, an estate agent, for the acquisition of the land. Bukhari in this case is a:
 - (a) general agent
 - (b) co-agent
 - (c) sub-agent
 - (d) pretended agent
- (v) Saleem owns 20 acres of land in district Badin, part of which is woodland. He sells the land to Malik Bashir with a covenant in the contract that he will not cut down the trees. Six months later, Malik Bashir prepares to cut down the trees. What remedy can Saleem seek?
 - (a) Damages
 - (b) Specific performance
 - (c) Injunction
 - (d) Rescission
- (vi) The banker wrongfully dishonoured the cheque issued by Mir Atif, a renowned trader, to one of his major suppliers. Mir Atif in this case is entitled to claim:
 - (a) special damages
 - (b) liquidated damages
 - (c) nominal damages
 - (d) exemplary damages

- (vii) Which of the following is **NOT** considered to be a source of law in Pakistan?
- Legislation
 - Sharia
 - Precedent
 - International treaties and conventions
- (viii) Which of the following statements is correct under the Contract Act, 1872?
- Fraud means the suggestion, as a fact of that which is not true, by one who believes it to be true
 - A proposal is revoked by the death of the acceptor
 - An agreement by Ali, who deals in oils, to sell hundred tons of oil to Vakeel is a void agreement
 - A pawnee may retain the goods pledged only for the payment of the debt
- (ix) Paramount Furniture wrote a letter to Baber Naeem stating, "We have received exquisite bedside tables which we will sell to you at a very favourable price."
- Which of the following statements with respect to the above is correct?
- The letter is an offer to sell
 - The letter lacks the essential element of an offer
 - The letter contains a valid offer which will terminate within a reasonable time
 - An offer made by a letter must be accepted by a letter
- (x) Akram, Minhas and Bali are partners, Bali is a sleeping partner. Bali retires without giving public notice of his retirement.
- Is Bali liable for subsequent debts incurred by Akram and Minhas?
- Bali is liable only to the extent of his estate
 - Bali is fully liable, as he did not give public notice of his retirement
 - Bali is liable for the amount left after contribution from Akram and Minhas
 - Bali is not liable as he was a sleeping partner
- (xi) Sohail and Fida purchased a yacht, renovated it and sold it to Qasim for Rs. 10 million. They shared the proceeds equally. Both Sohail and Fida are:
- co-owners
 - co-venturers
 - partners
 - mutual agents
- (xii) Under the provisions of the Partnership Act, 1932, which of the following statements is **NOT** correct?
- The relation of partnership arises from contract and not from status
 - Goodwill of the business is regarded as the property of the firm
 - Nature of business can be changed with the consent of majority of the partners
 - A dormant partner has a right to inspect and copy any of the books of the firm
- (xiii) Which of the following may be regarded as a valid promissory note (duly signed) under the provisions of the Negotiable Instruments Act, 1881?
- I promise to pay Zubair on demand Rs. 6,000 at my convenience
 - I promise to pay Ali or order Rs. 6,000 with interest charged at quarterly rests
 - I promise to pay you or your successors on demand Rs. 11,000
 - I promise to pay Khalid or order Rs. 12,000 six days after Saad's death

- (xiv) While drawing a bill of exchange, a person whose name is given in addition to the drawee to be resorted to when the requirement arises, is called:
- (a) drawer
 - (b) acceptor
 - (c) drawee in case of need
 - (d) acceptor for honour
- (xv) Under the provisions of the Negotiable Instruments Act, 1881, which of the following statements is **NOT** correct?
- (a) Where a cheque is crossed specially the banker on whom it is drawn shall not pay it to his agent for collection
 - (b) It is a presumption of law that every holder of a cheque is a holder in due course
 - (c) Where a cheque contains the name of a banker without two parallel transverse lines, it is a valid special crossing
 - (d) Where a generally crossed cheque bears across its face the addition of the words 'account payee', it shall cease to be negotiable
- (xvi) Mega Stars Limited (MSL) shall be deemed to be the holding company of Little Stars (Private) Limited (LSPL) if:
- (a) MSL owns 50% shares of LSPL and by virtue of such investment, MSL has nominated three directors out of six directors on board of LSPL
 - (b) MSL and one of its associated companies own 45% and 10% voting shares of LSPL respectively
 - (c) MSL and one of its associated companies own 30% and 35% voting securities of LSPL and by virtue of such investments, both companies have nominated two directors each out of six directors on the board of LSPL
 - (d) MSL owns 5% voting shares in LSPL; however, LSPL's other shareholders having 60% voting shares have empowered MSL to appoint four directors out of six directors of LSPL
- (xvii) Which of the following information does **NOT** form part of 'Certificate of incorporation'?
- (a) The name and registration number of the company
 - (b) The date of commencement of business
 - (c) Whether it is a private or a public company
 - (d) Whether it is a limited or unlimited company
- (xviii) A prospectus is required to be duly signed by:
- (a) the chief executive and a director
 - (b) every person who is named therein as a director or proposed director
 - (c) the chief executive, a director and the chief financial officer
 - (d) every director including the chief executive
- (xix) Candid Oils Limited has class A and class B ordinary shares of Rs. 10 each, carrying voting right of one and two votes per share respectively. A special resolution was passed to bring the voting rights of class B shareholders equal to class A shareholders. However, two shareholders of class B are not satisfied with this resolution and intends to apply for its cancellation. They can do so if:
- (a) they hold more than 10% shares of class B and apply to the Court
 - (b) they hold 10% or more shares of class B and apply to the Court
 - (c) they hold at least 10% shares of class B and apply to the Commission
 - (d) they hold at least 20% shares of class B and apply to the Commission

- (xx) Minimum subscription is:
- (a) the total authorised share capital of a company as stated in the prospectus
 - (b) the whole amount of the share capital other than that issued or agreed to be issued as paid up otherwise than in cash, if no amount of minimum subscription is so fixed
 - (c) the whole amount of the subscription received from applicants, if no amount of minimum subscription is so fixed
 - (d) the amount to be generated from public for which prospectus is issued
- (xxi) Toys & Toys Limited (TTL) resolved to shift its registered office from Gujranwala to Lahore i.e. within the province of Punjab. For this purpose, TTL must:
- (a) obtain consent of creditors who are entitled to object and obtain prior approval of the Commission
 - (b) give notice of change to the Commission within a period of fifteen days after the change
 - (c) obtain approval of the registrar prior to shifting of its registered office
 - (d) give notice of change in situation of the registered office to the registrar within a period of fifteen days after the date of change
- (xxii) Anas, Asadullah, Ameen and Arqam are founder partners of Fast Movers Forwarders (FMF). In January 2020, all partners had purchased shares of Quality Tiles Limited (QTL), a listed company. In June 2020, they contested the election of directors of QTL and got elected as directors out of seven positions. Being majority directors of QTL, they cancelled the contract of existing logistics service provider and awarded the contract to FMF.

Whether the aforesaid contract is valid?

- (a) Yes, because it is approved by the majority of the directors and the board is fully empowered to manage the affairs of the company
 - (b) No, the contract need to be approved by majority of such directors who are not interested in the said contract
 - (c) No, the contract must be laid before the general meeting for approval
 - (d) No, the contract must be approved by the general meeting as well as by the Commission
- (xxiii) Abid is the chairman of the board of directors of Innovative Technologies Limited (ITL) and is present in ITL's 25th Annual General Meeting (AGM). However, due to difference of opinion with ITL's chief executive on few agenda items, Abid is unwilling to chair the AGM. In such a situation:
- (a) the chief executive shall have to preside the AGM as chairman
 - (b) the members present in the AGM shall choose one of the members to be the chairman
 - (c) the member holding highest number of shares and present shall preside the AGM as chairman
 - (d) one of the directors present may be elected to be the chairman of the said AGM
- (xxiv) Casual vacancy on the board of directors of a listed company must be filled:
- (a) by calling an extra ordinary general meeting within ninety days from the date of such vacancy
 - (b) by the directors not later than ninety days from the date of such vacancy
 - (c) by the directors or the members in general meeting, as the case may be, in accordance with the provisions contained in the articles of association
 - (d) by the members in the upcoming annual general meeting

(xxv) Afridi, Bader, Dawood and Iffat owns 45%, 25%, 10% and 5% shares respectively of Splendid Mills Limited (SML), a public unlisted company. They were elected as SML's director in the last election of directors as unopposed. The board appointed Anas as the chief executive of SML; however, due to Anas's unsatisfactory performance, the board has decided to remove him in the next board of directors meeting.

Anas will stand removed as chief executive if:

- (a) directors having more than 50% shareholdings in SML's share capital will vote against him
- (b) directors having more than 75% shareholdings in SML's share capital will vote against him
- (c) any four directors will vote against him
- (d) all the directors will vote against him

(xxvi) Under the provisions of the Companies Act, 2017, the composition of a company's board shall be deemed to be controlled by another company if that other company by exercise of power exercisable by it at its discretion can:

- (a) appoint all or a majority of the directors
- (b) appoint or remove majority of the directors
- (c) appoint or remove all or a majority of the directors
- (d) appoint majority of the directors

(xxvii) Which of the following statements is correct regarding chairman of a listed company?

- (a) Chairman must be from amongst the non-executive directors
- (b) Chairman can only be removed by passing a special resolution
- (c) Chairman must be from amongst the independent director
- (d) Chairman is appointed by the shareholders within fourteen days from the date of election of directors

(xxviii) Which of the following officers are mandatorily required to be appointed to manage the affairs of a listed company under the provisions of the Companies Act, 2017?

- (a) Chairman, chief executive, company secretary, sole purchase agent
- (b) Chairman, chief executive, company secretary, share registrar
- (c) Chairman, chief executive, company secretary, chief financial officer
- (d) Chairman, chief executive, company secretary, chief financial officer, head of audit

(xxix) Which of the following clauses is **NOT** covered in Table A of the First Schedule?

- (a) Proceedings of directors
- (b) Votes of members
- (c) Instrument of proxy
- (d) Annual return

(xxx) Any dividend payable in cash by a listed company may be paid:

- (a) only through electronic mode directly into the bank account designated by the entitled shareholders
- (b) by cross cheques issued in the name of the entitled shareholders
- (c) by dividend warrant at the registered address of entitled shareholders
- (d) in any of the above manner at the discretion of the distributing company

Section B – Mercantile Law

- Q.2 Briefly describe how an Ordinance is promulgated in Pakistan and what is the effect of such Ordinance. (04)
- Q.3 (a) Under the provisions of the Contract Act, 1872 list any **three** circumstances in which a party whose consent was obtained by misrepresentation cannot rescind the contract. (03)
- (b) Sarya Traders (ST) agreed to supply building materials to Khwaja Contractors (KC) on 10 September 2020 for the construction of a charitable hospital in District Malir. However, on due date, ST failed to fulfil their obligation.
- Under the provisions of the Contract Act, 1872 explain the rights available to KC under the above situation. Assume time was the essence of the contract. (03)
- (c) What would be your answer in (b) above if KC had to procure building material from another supplier at a price higher than the price agreed with ST and also had to pay a penalty of Rs. 50,000 to the owner of the hospital for construction delay? (03)
- Q.4 (a) Under the provisions of the Contract Act, 1872 list the essentials of a valid acceptance. (04)
- (b) Sulman's son was missing. Mehmood, one of the bodyguards of Sulman, volunteered to find Sulman's son. Meanwhile, Sulman gave an advertisement in the newspaper announcing an award of Rs. 25,000 to anyone who finds the missing boy. Mehmood found the boy and brought him home. Sulman refused to pay the reward and Mehmood filed a suit against him.
- Under the provisions of the Contract Act, 1872 briefly describe whether Mehmood is entitled to the reward. (02)
- (c) Mohsin and Jaleel jointly borrowed a sum of Rs. 300,000 from Muslim and Munaf jointly. On due date, Mohsin and Jaleel defaulted in making the payment. Munaf, without Muslim's knowledge, filed a suit against Mohsin and Jaleel for the recovery of the amount due.
- Under the provisions of the Contract Act, 1872 briefly describe whether Munaf would succeed in his case. (02)
- Q.5 (a) Under the provisions of the Partnership Act, 1932 what are the general duties of a partner which cannot be altered by an agreement amongst themselves? (03)
- (b) Saeed, Mona and Burhan are engaged in a partnership business. On 26 March 2019, they admitted Laila, on her seventeenth birthday, to the benefits of partnership. Laila is Mona's niece. On 20 April 2020, Laila became aware of her admittance to the benefits of partnership. On acquiring the knowledge, she immediately gave notice to Saeed, Mona and Burhan that she intends to be their partner.
- Under the provisions of the Partnership Act, 1932 discuss whether Laila would be regarded as a partner in the firm with effect from the date of her notice. i.e. 20 April 2020. Also describe Laila's liability with regard to firm's debts once she becomes a partner. (04)

Q.6 (a) Under the provisions of the Negotiable Instruments Act, 1881 what would be the effect(s) of the words 'Not negotiable' on a cheque crossed generally? (03)

(b) Mujahid bought readymade garments worth Rs. 600,000 from Shoaib on credit. The amount is payable on 25 December 2020. Mujahid wants to issue a negotiable instrument in satisfaction of his debt to Shoaib without involving a third party for the payment.

Under the provisions of the Negotiable Instruments Act, 1881 identify the type of negotiable instrument which Mujahid may issue to Shoaib in satisfaction of his debt. Also prepare a draft of the said instrument. (04)
(*You may assume necessary details for the preparation of the negotiable instrument*)

Section C – Company Law

Q.7 A group of persons intends to form a limited liability company, with the objective to provide research related services to pharmaceutical companies. In this respect, one of the promoters proposed 'Pharma Research Authority' as a name of the proposed company which was liked by all the promoters.

Under the provisions of the Companies Act, 2017 comment on the validity of the name proposed by the promoters and suggest how they can overcome the deficiencies, if any, in it. (06)

Q.8 (a) The directors of Jhelum Limited (JL) intends to make a public offer of its securities and are in the process of preparing the prospectus. They wish to include a statement made by an expert in JL's prospectus.

Under the provisions of the Securities Act, 2015 advise the directors about:

(i) the matters that must be considered before including the statement made by an expert in JL's prospectus. (02)

(ii) the conditions that must be complied with before issuing, circulating or publishing JL's prospectus containing the expert's statement. (02)

(b) Explain the term 'shelf registration' in the context of a prospectus as defined in the Securities Act, 2015. (02)

Q.9 On 26 September 2020, the board of directors of Duck Fertilizers Limited (DFL), a public unlisted company, in its recent board meeting has approved a short term loan to Kitten Limited, one of the associated companies, to meet its working capital requirement, for which shareholders' approval is required. DFL's annual general meeting is scheduled to be held in March 2021.

Under the provisions of the Companies Act, 2017:

(a) briefly discuss the options available to DFL for obtaining shareholders' approval. (03)

(b) state the procedure(s) to be followed for obtaining the approval in each option identified in (a) above. (*Ignore procedures relating to voting*) (06)

Q.10 Election of directors of Excellent Technologies Limited (ETL), a listed company, is scheduled to be held on 15 October 2020. The board of directors has requested Mohsin, one of the leading engineers, to contest the upcoming election as non-executive director for adding value to the board.

Before responding to the offer of ETL's board, Mohsin has sought your advice on the following concerns:

- (i) Since he has no relationship with ETL either pecuniary or otherwise, can he contest the election as non-executive director?
- (ii) Would he be subjected to unforeseen liability that may arise due to adverse action of other directors?

Under the provisions of the Companies Act, 2017, advise Mohsin with regard to the above concerns. (06)

Q.11 (a) Naseer, a non-executive director of Oliver Travels Limited (OTL), while reviewing details of investments made by OTL, has shown his concerns on the following shares that are not held in the name of OTL:

- (i) 500 shares in Pak Travels (Private) Limited (PTPL) are held in the name of Rahim who is an employee of OTL. PTPL is a wholly owned subsidiary of OTL. (02)
- (ii) 5,000 shares of Tours & Tours (Private) Limited (TTPL) are held in the name of Sami, who is a non-executive director in TTPL by virtue of OTL's nomination. OTL owns 30% voting shares in TTPL. (02)

Under the provisions of the Companies Act, 2017 briefly explain the possible reasons for holding investment of OTL in the name of Rahim and Sami.

(b) Under the provisions of the Companies Act, 2017 briefly discuss:

- (i) the time frame within which quarterly financial statements should be prepared and the requirement, if any, for its review (02)
- (ii) the filing requirement of the quarterly financial statements. (02)

(THE END)