
Section A – Multiple Choice Questions

Ans.1	(i)	(a)	(xi)	(a)	(xxi)	(d)
	(ii)	(a)	(xii)	(c)	(xxii)	(c)
	(iii)	(d)	(xiii)	(d)	(xxiii)	(d)
	(iv)	(b)	(xiv)	(c)	(xxiv)	(b)
	(v)	(c)	(xv)	(a)	(xxv)	(c)
	(vi)	(d)	(xvi)	(d)	(xxvi)	(c)
	(vii)	(d)	(xvii)	(b)	(xxvii)	(a)
	(viii)	(c)	(xviii)	(b)	(xxviii)	(c)
	(ix)	(b)	(xix)	(b)	(xxix)	(d)
	(x)	(d)	(xx)	(b)	(xxx)	(a)

Section B – Mercantile Law

Ans.2 Promulgation of an Ordinance in Pakistan:

In terms of the constitution, the President has power to promulgate Ordinances only if the Senate or National Assembly is not in session and the President is satisfied that circumstances exist which render it necessary to take immediate action.

The Ordinance as promulgated by the President has the same force and effect as an Act of the Parliament.

However, within 120 days of its issuance, such Ordinance is required to be presented or passed by the National Assembly in case of money bill and by both the houses in case of all other bills, otherwise the Ordinance stands repealed.

Ans.3 (a) Exceptions to rescind the contract under misrepresentation:

A party cannot rescind the contract where:

- (i) the party whose consent was caused by misrepresentation had the means of discovering the truth with ordinary diligence
- (ii) the party gave the consent in ignorance of misrepresentation
- (iii) the party after becoming aware of the misrepresentation takes a benefit under the contract

(b) Time being essence of the contract, following would be the rights of Khwaja Contractors (KC) under the circumstances:

- Contract would be voidable at the option of KC (promisee).
- KC may insist that Sarya Traders (ST) should deliver building material. However, in order to claim compensation on account of the delayed supply, KC shall have to give notice to ST of their intention to do so at the time of acceptance of performance at any time other than earlier agreed.
- KC may decide not to accept performance beyond the stipulated time and rescind the contract and claim compensation for any damages which it may have sustained due to non-fulfillment of the contract by ST.

(c) In this case, ST is liable to pay by way of compensation to KC, the difference between the contract price and the price which KC had to pay for procuring building material.

However, if ST was aware about the penalty, which KC had to pay to the third party due to delay in construction of hospital, at the time of contract with KC, ST would be liable to compensate the amount of Rs. 50,000 to KC.

On the contrary, if ST was not aware of any such penalty at the time of contract with KC, then KC cannot recover the amount of Rs. 50,000 from ST.

Ans.4 (a) Essentials of a valid acceptance:

Following are the essentials of a valid acceptance:

- (i) acceptance must be absolute and unqualified;
- (ii) it must be communicated either in writing or by word of mouth or by performance of some act;
- (iii) acceptance must be in the prescribed mode/reasonable mode;
- (iv) the acceptance must be given within the time specified or within a reasonable time when no time is specified;
- (v) mere silence is not acceptance. It cannot be in the form of a negative confirmation. The acceptor should expressly accept the offer;
- (vi) acceptance must be given only by that person to whom the offer has been made;
- (vii) the acceptor must be aware of the proposal at the time of acceptance of the proposal;
- (viii) the acceptance must be given before the offer lapses or is withdrawn.

- (b)** In order for Mehmood to claim the reward from Sulman, it is necessary for him to prove that he was aware of Sulman's proposal before finding the missing boy.

As the communication of the proposal is complete when it comes to the knowledge of the person to whom it is made.

Under the given circumstances, since Mehmood acted in ignorance of the offer, he is not entitled to claim the reward from Sulman.

- (c)** Munaf will not succeed in his case. He must be joined by Muslim as the right to claim performance rests with all the promisees (i.e. Munaf and Muslim) jointly and a single promisee (i.e. Munaf) cannot claim performance.

Ans.5 (a) General duties of partners:

Following are the mandatory duties of a partner that cannot be changed by an agreement amongst the partners:

- (i) Duty to be just and faithful.
- (ii) Duty to carry on business to the greatest common advantage.
- (iii) Duty to render true accounts.
- (iv) Duty to provide full information.
- (v) Duty to indemnify for loss caused by fraud.
- (vi) Duty to be liable jointly and severally – unlimited liability.
- (vii) Duty to act within authority.
- (viii) Duty in case of emergency.

(b) Admittance of minor as a partner:

By giving notice of her willingness to be a partner in the firm to the existing partners, Laila would not become a partner in the firm.

In order to be a partner, Laila may give a public notice that she has elected to become a partner in the firm and such notice may be given at any time within six months of her attaining majority i.e. up to 26 September 2020, or her obtaining knowledge that she has been admitted to the benefits of partnership i.e. 20 October 2020, whichever date is later. And such public notice shall determine her position as regards the firm.

If Laila fails to give public notice till 20 October 2020, she will become a partner in the firm

on the expiry of the said six months.

Laila's liability with regard to firm's debts:

Laila would be personally liable to third parties for all debts of the firm from the date she was admitted to the benefits of partnership i.e. 26 March 2019.

Ans.6 (a) Effect(s) of the words 'Not negotiable' on a cheque crossed generally

The effect of the words "not negotiable" on a crossed cheque is that the title of the transferee of such a cheque cannot be better than that of its transferor. The addition of the words not negotiable does not restrict the further transferability of the cheque. It only takes away the main feature of negotiability, which is transferability, free from defects.

- (b) Mujahid would issue a promissory note as time instrument to Shoaib in satisfaction of his debt.

Draft of the promissory note

	Date: September 26, 2020
Rs. 600,000/- only	
Three months after date I promise to pay Shoaib or to his order the sum of Rupees Six Hundred Thousand, for value received.	
To	Sd/- _____
Shoaib	Mujahid
XYZ Street	Down Town
Karachi	Karachi

Section C – Company Law

Ans.7 The name proposed by the promoters is not valid under the provisions of the Companies Act, 2017 due to following two reasons:

- (i) The word "Authority" cannot be used as it implies connection with a Government. According to the Companies Act, 2017 "no company shall be registered by a name which contains any word suggesting or calculated to suggest any connection with a Government."

However, in order to overcome this the promoters with the prior approval in writing of the Commission may be able to get the company registered with such word.

- (ii) The word "Limited" is missing from the name of the company. According to the Companies Act, 2017 the word limited is required to be written at the end of the name of a company.

However, if the group of persons intend to form a limited liability company with charitable and not for profit objects then they have to apply to the Commission for a licence and the Commission, if satisfied, may allow them to be registered as a limited liability company without addition of the word "Limited" to its name.

Moreover, it should also be ensured that the proposed name is not identical with or resemble or similar to the name of already registered company or inappropriate or deceptive.

Ans.8 (a) (i) Jhelum Limited must ensure that the expert is a person who has the power or authority to issue a certificate in pursuance of any law for the time being in force and who is not and has not been engaged or interested in the formation or

promotion or in the management of the company.

- (ii) Before issuing, circulating or publishing prospectus containing expert's statement, it must be ensured that the following conditions have been complied with:
- the expert has given written consent to the issue of the prospectus with the statement in the form and context in which it is included; and
 - there appears in the prospectus a statement that the expert has given and has not withdrawn his consent.
- (b) 'Shelf registration' means an arrangement that allows a single offering document allowing companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions.

Ans.9 (a) Following options are available to DFL for obtaining shareholders' approval:

- (i) The board of directors of DFL may obtain approval of its shareholders by calling an extraordinary general meeting (EGM). As the board is entitled to call EGM at any time to consider any matter which requires shareholders' approval.
- (ii) Nonetheless, as the approval required for matter that is special business, and being a public unlisted company, if DFL's number of members are not more than fifty then DFL's board of directors has another option to get the shareholders' approval by passing resolution by circulation.

(b) The procedures to be followed for obtaining shareholders' approval:

(i) Holding Extra Ordinary General Meeting

- Twenty-one days' notice of the meeting shall be given to every member in the manner required by the Act.
- However, DFL being a public unlisted company, if all the members entitled to attend and vote at the said EGM so agree, a meeting may be held at a shorter notice.
- Notice of the meeting shall specify the place, the day and hour of the meeting along with a statement of the business to be transacted at the meeting and a draft resolution.
- A statement shall be annexed to the notice of the meeting setting out all the material facts concerning the short term loan, including the nature and extent of interest, if any, of the directors.
- Members may participate in the meeting personally, through video-link or by proxy.
- Every member shall have votes proportionate to the paid-up value of the shares held by him and no such member shall be debarred from casting his vote.

(ii) Passing of resolution by the members through circulation

- The resolution shall be circulated together with the necessary papers, if any, to all the members.
- The resolution passed by circulation must be signed by all the members for the time being entitled to receive notice of a meeting.
- The said resolution shall be noted at the subsequent meeting of members and made part of the minutes of such meeting.

- Ans.10 (i)** It is pertinent to note that pecuniary or other relationship with company are not the only criteria to establish eligibility of a person to be a non-executive director. Rather, in order to be a non-executive director of ETL, Mohsin shall have to ensure that he:
- is not from among the executive management team and may or may not be independent;
 - is expected to lend an outside viewpoint to ETL's board;
 - does not undertake to devote his whole working time to ETL and will not involve in managing the affairs of the ETL;
 - is not a beneficial owner of ETL or any of its associated companies or undertakings;
 - does not draw any remuneration from ETL except the meeting fee.
- (ii)** As far as the unforeseen liability due to adverse action of ETL's other directors are concerned Mohsin if elected as non-executive director, shall be held liable, only in respect of such acts of omission or commission by ETL which had occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently.

- Ans.11 (a) (i)** PTPL is wholly owned subsidiary company of OTL means it has one shareholder. Whereas, PTPL being a private company must have at least two members, hence OTL may hold any shares in the name of any of its nominee to ensure that the number of members of PTPL is not reduced below the statutory limit.
- (ii)** OTL has nominated Sami as non-executive director by virtue of its investment in TTPL. It means OTL have right to appoint or get elected any person as director of TTPL, therefore, in the light of the provisions of Companies Act, 2017 OTL have the right to transfer TTPL's shares in the name of Sami up to an amount not exceeding the nominal value of the qualification shares which are required to be held by TTPL's director. Such shares may be registered or held by OTL jointly with Sami or in the name of Sami alone.
- (b) (i) Time frame for preparation of quarterly financial statements**
Every listed company shall prepare the quarterly financial statements within the period of:
- thirty days of the close of first and third quarters of its year of accounts; and
 - sixty days of the close of its second quarter of its year of accounts.

Requirement of review of second quarter financial statements

The cumulative figures for the half year presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.

(ii) Filing of quarterly financial statements

The quarterly financial statements must be transmitted electronically to the Commission, Securities Exchange and with the Registrar within the period as specified above.

However, upon an application by the company, the Commission may, extend the period of filing in case of accounts of the first quarter for a period not exceeding thirty days, if the company was allowed extension in respect of its previous financial statements.

(THE END)