

Note for Legacy Students



Students who have not passed either the Business Law paper or the Company Law paper up to the Autumn 2025 session will be required to pass the entire paper.

Students who have passed the Business Law paper up to the Autumn 2025 session will be required to pass Section B only.

Students who have passed the Company Law paper up to the Autumn 2025 session will be required to pass Section A only.

Certificate in Accounting and Finance Stage Examination

Business Law Dynamics

Model paper

100 marks



Instructions to examinees:

- (i) Answer all **ELEVEN** questions.
- (ii) The overall duration of the exam is 3 hours & 15 minutes, which includes the 15-minute reading time.
- (iii) Answer in **black** pen only.
- (iv) Answer Multiple-Choice Questions in the answer script only.

SECTION A

QUESTION 1

Select the most appropriate answer from the options provided for each of the following Multiple-Choice Questions (MCQs).

- (i) Aqib and Haris are partners in Blue Sports (BS). Maaz placed an order to purchase 1,000 footballs from Aqib and paid an advance of Rs. 10,000 to him. Aqib neither informed Maaz about his partnership in BS nor did he inform Haris about Maaz's order and spent the advance on his personal expenses. When Maaz did not receive the order on agreed date, he investigated Aqib's background and found out that Aqib is a partner in BS.

Under the Partnership Act, 1932, can Maaz hold BS liable for the delivery?

- (a) No, because Aqib had not informed Haris regarding Maaz's order
- (b) No, because Maaz was unaware of Aqib's partnership in BS upon purchase
- (c) Yes, because an act done by Aqib in the ordinary course of business binds BS
- (d) Yes, because BS is liable for the misapplication of payment by its partner **(01 mark)**

- (ii) With reference to 'undue influence', as explained in the Contract Act, 1872, which of the following statements is **NOT** correct?

- (a) The contract is voidable at the option of the party whose consent was caused through exercise of undue influence
- (b) A person is deemed to be in a position to dominate the will of another where he holds apparent authority over the other person
- (c) Consent is said to be free when it is not caused by undue influence
- (d) The burden of proving that undue influence was not applied shall lie upon the person whose will was dominated by the other person **(01 mark)**

- (iii) Which of the following instruments issued by Mohsin is a valid negotiable instrument?

- (a) I promise to pay Maria Rs. 50,000 as soon as possible
- (b) I promise to pay Maria Rs. 50,000 and all fines according to the rules
- (c) I promise to pay Maria Rs. 50,000 one month after my marriage with Zainab
- (d) I promise to pay Maria Rs. 50,000 two months after Furqan's death **(01 mark)**

- (iv) With reference to the concept of 'consideration' as explained in the Contract Act, 1872, which of the following statements is **NOT** correct?

- (a) The consideration must be provided exclusively by the promisee
- (b) The consideration must be given at the desire of the promisor
- (c) The consideration may comprise of a promise to perform an act in the future
- (d) The consideration may be past, present or future as per the contract terms **(01 mark)**

- (v) Which of the following statements about delegated legislation in Pakistan is correct?
- (a) The rules made under delegated legislation cannot be challenged in court
 - (b) An act of Parliament is more flexible to amend than delegated legislation
 - (c) In delegated legislation, power is given to the elected members of the Senate to make laws for specified purposes
 - (d) Delegated legislation is often worked out in consultation with professional, commercial or industrial groups outside the Parliament
- (01 mark)**

- (vi) On 31 August 2025, Saad agreed to provide 500 custom-made shirts to Jalil for a match. Saad was unable to deliver the order on the agreed date due to fire incident in one of his factories. He sent the delivery to Jalil after the agreed date and requested him to accept the order as the shirts were customized and could not be sold in the market.

Under the Contract Act, 1872, which of the following statements is correct?

- (a) Jalil can accept the delivery as contract is voidable at his option
 - (b) Jalil must accept the delivery as delay was due to supervening impossibility
 - (c) Jalil cannot accept the delivery because time was essence of the contract
 - (d) Jalil cannot accept the delivery as the contract became void
- (1.5 marks)**
- (vii) On 1 August 2025, Azlan agreed to sell 100 Taiwanese drones to Moiz, promising delivery by 31 August 2025. Moiz insisted on timely delivery as he would be travelling abroad immediately afterwards. To fulfil the agreement, Azlan immediately placed an order with Grey Equipment (GE) for the supply of drones, instructing to deliver directly to Moiz by 31 August 2025.

On 31 August 2025, Azlan informed Moiz that, due to a prolonged labor strike in GE's manufacturing facility, the drones could not be manufactured till date. Moiz sent a notice to Azlan claiming damages for breach of contract.

Under the Contract Act, 1872, would Azlan be liable to pay damages to Moiz?

- (a) No, because Azlan is not bound to deliver on account of supervening impossibility
 - (b) No, because the contract has become void due to GE's breach
 - (c) Yes, because Azlan is bound to deliver the drones irrespective of GE's breach
 - (d) Yes, because Azlan did not inform Moiz of the situation before 31 August 2025
- (1.5 marks)**
- (viii) On 1 August 2025, Noman promised to deliver 1,000 kg of cashew nuts to Crimson Delicacies (CD) on 30 August 2025 at Rs. 1,200 per kg.

On 28 August 2025, CD promised to supply cashew nut sweets to a customer on 31 August 2025 and informed Noman that, to complete the order, 1,000 kg of cashew nuts promised by him must be delivered on time as CD expected to earn a profit of Rs. 50,000 from the sweets order.

Noman failed to deliver the cashew nuts on the agreed time. CD immediately purchased 1,000 kg of the cashew nuts from the market at Rs. 1,600 per kg and fulfilled the sweets order on 31 August 2025. The market price of cashew nuts on 28 August 2025 was Rs. 1,500 per kg.

Under the Contract Act, 1872, what amount of damages can CD recover from Noman?

- (a) Rs. 300,000
 - (b) Rs. 350,000
 - (c) Rs. 400,000
 - (d) Rs. 450,000
- (02 marks)**

QUESTION 2

Describe how an Ordinance is promulgated in Pakistan and explain the effect of such Ordinance. **(04 marks)**

QUESTION 3

- (a) Under the Contract Act, 1872, describe contingent contracts and identify the circumstances in which a contingent contract cannot be enforced. **(05 marks)**
- (b) Under the Contract Act, 1872, explain any **three** circumstances in which an agreement without consideration is considered to be a valid contract. **(03 marks)**
- (c) Under the Arbitration Act, 1940, explain 'arbitration agreement' and state any **three** powers of an umpire appointed by the arbitrators to settle the differences between them. **(04 marks)**

QUESTION 4

- (a) Fawn Traders (FT) specializes in providing innovative cooling solutions for various industries. Its services include the supply of cold storage packages and the provision of specialized delivery services for temperature-sensitive items.

Zain owed Rs. 3 million to FT for multiple deliveries made between March 2022 and December 2022. Despite repeated requests, Zain kept delaying the payments and eventually stopped responding. Recently, Zain's spouse obtained details of the unpaid invoices and has started sending weekly payments to FT for clearing the dues. However, she has not advised how the payments should be appropriated.

Under the Contract Act, 1872, advise how the payments would be applied against the outstanding invoices to be paid by Zain. **(04 marks)**

- (b) **Assume that the date today is 30 November 2024.**

Brown Dealers (BD) manufactures and sells winter sports equipment. BD entered into a contract with Orange Skiing Resort (OSR) to deliver 100 customised snowboards by November 2024 for Rs. 1 million at the resort in Malam Jabba. OSR intends to use the snowboards for the upcoming snow season in December 2024.

BD manufactured the snowboards in early November 2024. However, the weather conditions and the resort's high altitude have made it difficult to deliver the order to OSR. BD does not have specialized vehicles capable of delivering snowboards in such weather conditions. Considering the delivery challenges, on 30 November 2024, BD has asked OSR to either pick up the order from its factory, or wait until the weather conditions improve.

Under the Contract Act, 1872, discuss BD's position and identify the remedies available to OSR, if any. **(05 marks)**

- (c) Assume that in (b) above, OSR agrees to pick 60 snowboards directly from the factory, for a proportionate contract price of Rs. 0.6 million. Since the snowboards have been customised, BD cannot sell the remaining snowboards to other customers.

Under the Contract Act, 1872, identify the course(s) of action available to BD. **(04 marks)**

QUESTION 5

Zahid and Shakir, both renowned medical doctors, have been running a partnership firm named 'Green Clinics and Research Centre' (GCRC) to carry out medical research and provide clinical care facilities to patients. GCRC has its own laboratories, where medical tests are conducted for diagnostic purposes.

The following matters related to GCRC require your attention:

- (a) Zahid is in the process of establishing a private clinic adjacent to GCRC's building in partnership with his brother. Zahid plans to manage any shortages of medical supplies or funds by using resources of GCRC and the private clinic interchangeably. *Under the Partnership Act, 1932, advise on the precautions Zahid should take in respect of GCRC's property.* **(03 marks)**

- (b) Shakir became aware of Zahid's plan to establish a private clinic. Upon learning this, Shakir demanded that Zahid should not take part in another competing business unless Zahid offers him a management role in the private clinic with a share in its profits. *Under the Partnership Act, 1932, evaluate whether Shakir's demand is justified.* (04 marks)
- (c) Zahid invited Qasim, a renowned surgeon working with GCRC, to join GCRC as a partner, considering that Zahid would have limited time for GCRC's operations after the private clinic's inauguration. On 31 August 2025, Qasim agreed to join GCRC as a partner. *Under the Partnership Act, 1932, advise Qasim about his mutual rights and liabilities, concerning GCRC after becoming a partner.* (04 marks)

SECTION B

QUESTION 6

Select the most appropriate answer from the options provided for each of the following Multiple-Choice Questions (MCQs).

- (i) Whenever one or more members present at the general meeting, holding 15% of a company's voting power demand a poll on a resolution under discussion; and that resolution is properly included in the notice of the general meeting in accordance with the requirements of the Companies Act, 2017, the chairman:
- (a) must order a secret ballot
 - (b) must order a secret ballot and then adjourn the meeting immediately
 - (c) must first finish the remaining agenda item and then order a secret ballot
 - (d) must first call for a vote by a show of hands and then order a secret ballot
- (01 mark)

- (ii) Jibraeel, who founded Beige Furniture (SMC-Pvt) Limited (BSL) in 2010, unfortunately passed away in a road accident on 3 September 2025. He is survived by his wife, three sons and two daughters.

Under the Companies Act, 2017, the transfer of BSL's shares to Jibraeel's legal heirs will be executed by the person nominated by:

- (a) the subscriber to the memorandum
- (b) BSL itself
- (c) the legal heirs of the deceased
- (d) the Commission

(01 mark)

- (iii) Upon reviewing the available evidence, the registrar determined that Crimson Textiles (Private) Limited (CPL) had registered its name by furnishing inaccurate information.

If the representations made by CPL in response to this inquiry confirmed the registrar's findings, then under the Companies Act, 2017, the correct action of the registrar would be to:

- (a) cancel the registration of CPL through an order issued within thirty days
 - (b) direct CPL to change its name within thirty days of such direction
 - (c) direct CPL to change its name to a new name selected by the registrar, within thirty days of such direction
 - (d) direct CPL to change its name, subject to the approval of the registrar, within thirty days of such direction
- (01 mark)

- (iv) Under the Companies Act, 2017, which of the following may **NOT** be considered a quorum for a meeting of the board of directors of a listed company with seven directors?

- (a) The participation of a director by audio conferencing and three in person
 - (b) The participation of three directors by audio conferencing and four in person
 - (c) The participation of three directors by video conferencing and one in person
 - (d) The participation of a director by video conferencing and two in person to fill the casual vacancies arising due to the deaths of three directors and one being critically injured in a road accident
- (01 mark)

- (v) Under the Companies Act, 2017, which of the following scenarios represents a charge and not a mortgage?
- (a) A company obtains a loan to purchase a new office building and grants the lender a first charge on its factory building
 - (b) A company obtains a loan to purchase machinery and transfers the title of one of its factory buildings to the lender
 - (c) A company obtains a long-term loan and grants the lender a second charge on its head office building
 - (d) A company obtains a long-term loan and grants the lender a charge over its inventories

(01 mark)

- (vi) Lilac Furniture Limited (LFL) has scheduled its directors' election for October 2025. LFL identified Hania Hussain as a potential candidate for the position of independent director. Hania possesses strong credentials, having served as the Chief Financial Officer of Peach Furniture Limited (PFL), a subsidiary of LFL, for over ten years until November 2022. Furthermore, her name appears in the data bank of independent directors.

Under the Companies Act, 2017, is Hania eligible to contest for the position of independent director at LFL?

- (a) Yes, as her over ten years of experience exceeds the required minimum period
- (b) Yes, as her name appears in the data bank of independent directors
- (c) No, as she left PFL in November 2022 and is no longer employed there
- (d) No, as prescribed time has not passed since her disassociation from PFL

(1.5 marks)

- (vii) As per the Companies Act, 2017, under what circumstances can Olive Limited (OL) enter into a non-cash transaction with Ahmed Mukhtar without obtaining prior approval from a general meeting?

- (a) If Ahmed is a director in OL and OL is acquiring assets from a person connected to him
- (b) If Ahmed is a director in OL's subsidiary and OL is acquiring assets from a person connected to him
- (c) If Ahmed is a director in one of OL's holding company's competitors and OL is acquiring assets from a person connected to him
- (d) If Ahmed is a director in OL's associated company and OL is acquiring assets from a person connected to him

(1.5 marks)

- (viii) Consider the following conditions:

- (I) The resolution is signed in writing by all directors of the committee entitled to receive notice
- (II) The resolution is approved and signed in writing by a majority of the directors of the committee entitled to receive notice
- (III) The resolution is circulated with necessary papers to all directors entitled to receive notice, and recorded in the minutes of a later meeting
- (IV) The resolution was circulated to all the directors entitled to receive notice within ten days of the request and recorded in the minutes of a later meeting

Under the Companies Act, 2017, which of the above conditions are required to be complied with in order to pass a resolution through circulation by the Human Resource Committee of directors of a listed company?

- | | |
|--------------------------------|-------------------------------|
| (a) Condition I only | (b) Condition II only |
| (c) Conditions II and III only | (d) Conditions II and IV only |

(02 marks)

QUESTION 7

Purple Processing Limited, an unlisted company, holds 60% of the shares in Mauve Trading (Private) Limited (MTL). MTL is currently preparing its directors' report for the year ended 30 June 2025. Under the Companies Act, 2017, list any **seven** contents of the said report.

(05 marks)

QUESTION 8

Under the Companies Act, 2017:

- (a) state the provisions requiring the memorandum of association of a public company limited by shares to include details about its name clause. Also, describe the requirements for the publication of company's name. **(04 marks)**
- (b) explain the requirements related to the business and objects of a company, including its principal line of business. Also, outline the procedures a company must follow to change its principal line of business. **(07 marks)**

QUESTION 9

On 28 July 2025, the board of Pink Weaving (Private) Limited (PWL) met to discuss on several agenda items, including a proposal to extend a short-term loan of Rs. 80 million to Falcon Packaging (Private) Limited (FPL). The board unanimously agreed to present this loan proposal for approval at its first AGM scheduled for September 2025.

During the board meeting, the directors requested clarifications on the following matters:

- (a) Given that FPL and the Federal Government hold 22% and 17% of PWL's shares respectively, and Yellow Investments Limited (YIL) has loaned an amount equivalent to 120% of PWL's paid-up capital, can these stakeholders significantly influence the decision-making at the upcoming AGM? **(02 marks)**
- (b) How will FPL, the Federal Government and YIL participate in the AGM? **(04 marks)**
- (c) What rights and powers do FPL, the Federal Government and YIL have regarding their attendance and participation at the AGM? **(03 marks)**

Under the Companies Act, 2017, provide clarification to the board on the above matters.

QUESTION 10

- (a) Rose Limited (RL), an unlisted company incorporated on 10 June 2023, specializes in perfume manufacturing. RL's subsidiary, Pastel Automobiles (Private) Limited, is engaged in automotive production.

RL's board intends to appoint Ali Khan as the CEO of RL. The following information about Ali was presented to the board:

- (i) He is a director of Scarlet Securities Limited, a corporate brokerage house.
- (ii) He is also a director of Burgundy Technologies (Private) Limited, which provides support to RL's IT department.
- (iii) His wife, Mehreen Ali, is the CEO of Magenta Automobiles (Private) Limited.

Under the Companies Act, 2017, evaluate the implications of each information provided about Ali, in the context of his appointment as CEO. **(04 marks)**

- (b) Ebony Farms Limited (EFL) is finalizing negotiations for a USD 2 million long-term loan with Orange International Bank Inc. (OIB), a foreign lender. OIB requires security in the form of a charge on EFL's immovable properties in Pakistan by 30 September 2025. While advised to register the charge, EFL believes this is not necessary as OIB is a foreign bank.

Under the Companies Act, 2017, advise EFL's management whether, with whom and within what timeframe does EFL need to register the charge? **(03 marks)**

QUESTION 11

The CEO of Maroon Textile Limited (MTL) has assigned Bashir Rehman, an executive director, to negotiate the terms and conditions for acquiring Rs. 200 million worth of machinery from Lilac Machines Limited (LML), a listed company. The CEO believed that Bashir's father, who serves as LML's CEO, could facilitate better negotiation terms. The machinery acquisition is on the agenda for MTL's board meeting scheduled for 30 September 2025.

Under the Companies Act, 2017, advise:

- (a) the responsibilities that Bashir has towards MTL in relation to the machinery purchase. **(04 marks)**
- (b) the potential implications and responsibilities that LML must consider in the sale of machinery to MTL, assuming that Bashir's elder brother owns 100 shares in LML. **(04 marks)**

(THE END)