



The Institute of  
Chartered Accountants  
of Pakistan

## Certificate in Accounting and Finance Stage Examinations

10 September 2014  
3 hours – 100 marks  
Additional reading time – 15 minutes

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### Business Law

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- Q.1 List the criteria which may be followed for determining the eligibility of a person(s) for appointment as a judge of the High Court and Supreme Court. (05)
- Q.2 Under the provisions of the Contract Act, 1872 describe the following:
- (a) Undue influence (06)
- (b) Fraud (06)
- Q.3 (a) Two wrestlers Goga and Sheeda agreed to play a wrestling match on the condition that if any of them would fail to appear for the match, he would have to pay Rs. 5,000 to the other party. The winner was to receive Rs. 20,000 out of the sale proceeds of the tickets. Goga failed to appear in the match and Sheeda sued him for Rs. 5,000. Goga however, refused to pay claiming that being wagering in nature, the contract is not enforceable by law.
- Under the provisions of the Contract Act, 1872 describe whether Sheeda can recover the amount from Goga. (03)
- (b) Arif was running a meat shop in Islamabad. He wanted to attend the wedding of his sister in Peshawar so he asked his friend, Moiz, to look after his shop during his absence. While managing the shop, Moiz noticed that the deep-freezer in the shop was not working properly. In order to save the meat from being spoilt, he sold it at a discount of 5% and had the freezer repaired the next morning. Looking at customers' positive response, Moiz continued to offer the meat at 5% discount. Upon his return from Peshawar, Arif, being unhappy with the situation, immediately discontinued the discount and now wants to recover the loss from Moiz.
- In view of the provisions of the Contract Act, 1872, analyse the above situation and explain the rights and liabilities of Arif against Moiz. (10)
- Q.4 (a) Rustum, Mahmood and Wali are partners in a firm. Wali wants to admit his sixteen year old son Raghieb as a new partner.
- Under the provisions of the Partnership Act, 1932 can Raghieb be admitted to the partnership business? State the rights, liabilities and limitations of Raghieb, if he is admitted to the partnership business. (05)
- (b) Sharing net profits usually creates a very strong inference that the parties have formed a partnership. But in certain situations, the fact that the profits are shared or the parties have agreed to share the profits will not by itself create a presumption that a partnership was intended. List such situations as given in the Partnership Act, 1932. (05)

Q.5 (a) What do you understand by the terms 'Holder', 'Holder in due course' and 'Payment in due course' under the Negotiable Instruments Act, 1881? **(08)**

(b) Samina sold her car to Faiz for Rs. 800,000. Faiz draws a bill of exchange stating "Pay to Samina or her order a sum of eight hundred thousand rupees". In figures the amount is stated as Rs. 80,000.

Under the Negotiable Instruments Act, 1881 explain whether it is a valid bill. **(02)**

Q.6 (a) Under the provisions of the Companies Ordinance, 1984 a company, without prior approval of the Commission, cannot be registered by a name which contains certain words or phrases suggesting certain attributes/affiliations. List those attributes/affiliations. **(04)**

(b) Mrs. Raheel was a member of Nightmare (Guarantee) Limited. On 30 September 2013 she ceased to be the member of the company and on 31 July 2014 the company went into the process of winding up.

Under the provisions of the Companies Ordinance, 1984 advise Mrs. Raheel of her rights and liabilities as provided in the company's memorandum of association. **(06)**

Q.7 (a) Baykarar Limited (BL), a listed company, wants to increase its production capacity and is in the process of acquiring a new plant for its soda ash project. The company is contemplating to finance the project by issuing ordinary shares to the general public. In order to enhance the credibility of its expansion project, BL's management has decided to include a statement from Mr. Suleman, a mechanical engineer, in its prospectus.

Under the provisions of the Companies Ordinance, 1984 describe the conditions which must be satisfied for the inclusion of statement from Mr. Suleman in BL's prospectus. **(05)**

(b) On 1 July 2014, Big Ban Limited obtained a short term running finance facility from Cool Bank by creating a floating charge on its book debts and stock-in-trade.

Under the provisions of the Companies Ordinance, 1984 explain the following:

(i) The procedure required to be followed to get the charge registered with the registrar. **(03)**

(ii) The consequences of non-registration. **(02)**

Q.8 (a) Mazboot Limited (ML) is a newly incorporated company. ML has issued a prospectus inviting offers from the general public for subscription to its shares and is also intending to sign a musharika finance facility agreement with Top Bank Limited. However, Mr. Baqir, who is the legal advisor of the company, is against the signing of musharika finance facility agreement.

In view of the provisions of the Companies Ordinance, 1984 explain why ML should not sign the finance facility agreement. List the condition(s), if any, which ML must comply before exercising its borrowing powers. Also state the consequences if ML signs the musharika finance facility without fulfilling the above condition(s). **(07)**

(b) Briefly describe the provisions relating to the restrictions imposed on directors' remuneration with regard to performing extra services, attendance of meeting, etc. as provided in the Companies Ordinance, 1984. **(03)**

Q.9 (a) 'Every company is required to keep, at its registered office, **proper books of account.**'

Under the provisions of the Companies Ordinance, 1984 briefly explain the following:

- (i) When such books are **NOT** deemed to be proper. (02)
  - (ii) When a company is deemed to have kept proper books of account in case of a branch office. (03)
- (b) The Directors of Sigma Limited wish to recommend a final dividend. Under the provisions of the Companies Ordinance, 1984 advise the directors about the restrictions, if any, with regard to the declaration of dividend. (05)

Q.10 The Directors of Sunshine Limited, a listed company, intend to appoint the first auditors of the company. In view of the provisions of the Companies Ordinance 1984, advise the directors in respect of the following:

- (i) The time frame within which the first auditors should be appointed.
- (ii) The person(s) who may or may not be eligible for appointment as auditor(s). (10)

**(THE END)**