



The Institute of
Chartered Accountants
of Pakistan

Certificate in Accounting and Finance Stage Examinations

6 March 2015
3 hours – 100 marks
Additional reading time – 15 minutes

Business Law

- Q.1 What do you understand by delegated legislation? Give two advantages and disadvantages of such legislation. (05)
- Q.2 (a) Lalchi Traders agreed to supply cotton yarn to Farzi Textile Limited at a fixed price for one year. Three months after the formation of the contract the price of yarn increased sharply, making it commercially unviable for Lalchi Traders to continue the supply at the agreed price. Therefore, they terminated the contract on the ground of difficulty/impossibility of performance.
- Under the provisions of the Contract Act, 1872 briefly describe:
- (i) whether the contract would be discharged under the above circumstances. (05)
- (ii) what would be your decision if Lalchi Traders were importing yarn and Government has imposed a ban on its import. (02)
- (b) In accordance with the contract entered into by Masoom and Mubarak, Masoom has offered to deliver 300 Rolex watches to Mubarak on 1 March 2015. Under the provisions of the Contract Act, 1872 advise Masoom about the conditions which must be satisfied for constituting a valid offer of performance. (03)
- Q.3 (a) Under the provisions of the Contract Act, 1872 describe the circumstances in which an agent is presumed to be personally liable on the contract to third parties. (08)
- (b) Basit and Rahim go into a shop. Basit says to the shopkeeper, 'Let him (Rahim) have the goods and if he does not pay you, I will'.
- Under the provisions of the Contract Act, 1872 identify and describe:
- (i) the type of the above contract and whether Basit would be liable in case of Rahim's default. (04)
- (ii) what would be your answer, if Basit said to the shopkeeper, 'Let him (Rahim) have the goods, I will see you are paid'. (03)
- Q.4 (a) Nomi, Sultan and Behram have decided to establish a partnership business to run a departmental store. Under the provisions of the Partnership Act, 1932 advise them about their mutual rights and liabilities towards each other. (05)
- (b) The above partnership business was started in January 2015. In March 2015 Behram received an overdraft of Rs. 100,000 from the partnership's bank. He informed the bank that the money would be used to construct a new cash counter in the departmental store. However, he used the money to pay for his wife's Dubai trip.
- Advise Nomi, Sultan and Behram about their rights and liabilities and that of the firm in relation to the above transaction. (05)

- Q.5 (a) Under the provisions of the Negotiable Instruments Act, 1881 identify the person(s) who may cross the cheque after its issue and the manner in which it may be crossed. **(05)**
- (b) Sakhi drew a blank stamped promissory note in favour of Zarouratmand with an intention to pay him Rs. 100,000 against the purchase of a laptop computer. The stamp on the promissory note was sufficient to cover Rs. 200,000.
- Briefly describe Sakhi's liability on the promissory note in each of the following independent cases:
- (i) Zarouratmand filled Rs. 150,000 on the promissory note and transferred it to Kallash for value. **(1.5)**
- (ii) Zarouratmand filled Rs. 170,000 on the promissory note and gifted it to Chaplousy. **(1.5)**
- (iii) Zarouratmand filled Rs. 250,000 on the promissory note and transferred it to Ayyash for value. **(02)**
- Q.6 (a) Under the provisions of the Companies Ordinance, 1984 briefly describe the following:
- (i) special resolution **(04)**
- (ii) chief executive in relation to a company **(03)**
- (b) Under the provisions of the Companies Ordinance, 1984 list the circumstances under which Mehkoum Limited may be deemed to be the subsidiary of Hakim Limited. **(03)**
- Q.7 (a) Under the provisions of the Companies Ordinance, 1984 answer each of the following:
- (i) the subscription list of Mayanaz Limited (ML) is due to open on 20 March 2015. ML is in the process of issuing a prospectus. Assuming ML has no subsidiaries, specify the auditor's reports which are required to be set out in the prospectus. **(02)**
- (ii) 'No one shall issue any form of application for shares in or debentures of a company, unless the form is accompanied by a prospectus.' What are the exception(s) to this general rule? **(04)**
- (b) Samjhota Limited (SL) has an authorised capital of Rs. 100,000,000 divided into 2,000,000 shares of Rs. 50 each. The directors have decided to alter the conditions of the capital clause of SL's memorandum of association. Advise the directors about the provisions of the Companies Ordinance, 1984 applicable to such alteration. **(04)**
- Q.8 (a) Karamad (Pvt) Limited was incorporated on 1 July 2014. Subsequently it was converted into a public unlisted company on 1 March 2015.
- Under the provisions of the Companies Ordinance, 1984:
- (i) describe whether the company is required to hold its statutory meeting; if yes, identify the time frame within which such a meeting must be convened. **(03)**
- (ii) what would have been your decision, had the company been converted into a listed company on 1 July 2015? **(01)**
- (iii) identify those contents of the statutory report which are required to be certified by the company's auditor. Also specify the purpose of the auditor's certificate. **(02)**
- (iv) state the requirements of law regarding the certification and filing of statutory report. **(02)**
- (b) Under the provisions of the Companies Ordinance, 1984 state who may call an annual general meeting of the company. **(02)**

Q.9 Mr. Khushkismat holds 10% shareholding in Basant Limited (BL), a company listed on Karachi Stock Exchange. He wants to propose Mustaid and Company, Chartered Accountants to be the new auditors of BL in place of the retiring auditors.

Under the provisions of the Companies Ordinance, 1984 explain the duty of Mr. Khushkismat and the company in respect of the proposed appointment. Also explain the rights of the retiring auditor under the above circumstances. (10)

Q.10 (a) The company's annual financial statements are in the process of finalisation for presentation at company's AGM.

Being company secretary, you are required to advise the company regarding approval and signing of financial statements under the provisions of the Companies Ordinance, 1984. (05)

(b) Munafa Limited (ML) is engaged in the business of leasing vehicles to corporate customers. The Board of Directors of ML is considering to authorise one of its directors, Mr. Farigh, to enter into a contract with Mrs. Laiqa, the Managing Director of Taizraftar Limited, for the purchase of six delivery vans. Mrs. Laiqa is also the wife of Mr. Farigh.

Under the provisions of the Companies Ordinance, 1984 analyse the above situation and advise Mr. Farigh about his responsibilities towards the company with respect to the above transaction. (05)

(THE END)