



Business Law

Certificate in Accounting and Finance
Model Paper

100 marks – 3 hours

Instructions to Candidates:

The paper comprises of two subjects Mercantile Law (Part – A) and Company Law (Part – B).
Do not attempt the subject which you have already passed or obtained exemption.

Mercantile Law (Part – A)

(50 marks)

- Q.1 With respect to enactment of any Act in Pakistan, what is the procedure to be followed by the National Assembly and the President of Pakistan? (06)
- Q.2 (a) What is a contract of guarantee as described in the Contract Act, 1872? What may be regarded as a sufficient consideration for surety under such a contract? (05)
- (b) Yaseen lends his van to his friend Umer for picnic. The van broke down en-route from Islamabad to Muree due to a fault in axle, injuring Umer.
- Discuss the rights of Umer under the provisions of Contract Act, 1872. What would be Yaseen's responsibility had Umer acquired the van on hire? (05)
- (c) Gold Bank granted a loan of Rs. 10 million to Saleem Limited against the pledge of shares of a listed company. Saleem Limited defaulted on repayment of the loan. The market value of the shares at the time of default was Rs. 9 million.
- What remedies are available to Gold Bank in the above situation? (04)
- Q.3 (a) Describe the provisions of Contract Act, 1872 related to the assessment of compensation for loss or damage caused by breach of contract. (05)
- (b) Explain the following as described under the Contract Act, 1872.
- (i) Agent's authority in an emergency
- (ii) Agent's right of lien (05)
- Q.4 (a) The authority of a partner to bind the firm is called "Implied Authority." List the acts which cannot be exercised by a partner as his implied authority. (04)
- (b) Raheem, Kareem and Waseem are partners in a firm. Kareem transferred his interest in the firm absolutely to his son Naeem. In the light of the provisions of Partnership Act, 1932 would Naeem be considered a new partner in the firm? Also describe the rights and restrictions on Naeem in view of such transfer. (06)
- Q.5 (a) State the conditions when a cheque crossed generally is considered to be paid by a banker in due course or out of due course. Describe the rights of the banker when payment of a cheque crossed generally is made in due course and the consequences of payment out of due course under the Negotiable Instruments Act, 1881. (04)

- (b) Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are promissory notes or not.
- (i) I promise to pay Imran on demand Rs. 5,000 at my convenience.
 - (ii) On demand, I promise to pay Sohail or order Rs. 5,000, for value received.
 - (iii) I promise to pay Atif or order Rs. 5,000 and 500 shares of Noon Limited.
 - (iv) I promise to pay Sarah or order Rs. 5,000 with interest calculated at quarterly rests.
 - (v) I promise to pay you or your successors on demand Rs. 10,000.
 - (vi) I promise to pay Faisal or order Rs. 10,000 seven days after Rehan's death. **(06)**

Company Law (Part – B)

(50 marks)

- Q.6 The Directors of Bolan Motors Limited (BML) and its subsidiary Bolan Autos (Private) Limited (BAPL) have decided in their respective board meetings to shift their registered offices to Landmark Centre, I.I. Chundrigar Road, Karachi.

The present addresses of the registered offices are:

- (a) Bolan Motors Limited, 101, Hali Road, Karachi.
- (b) Bolan Autos (Private) Limited, 2nd Floor, Modern Avenue, Lahore.

You are required to list the procedures to be followed by each company for shifting its registered office, as specified under the provisions of the Companies Ordinance, 1984. **(10)**

- Q.7 (a) Under what conditions can a listed company alter its memorandum of association in order to allow the cancellation of its shares? Would such cancellation be considered as reduction of share capital of the company? **(05)**
- (b) The trading business of ML (Private) Limited (MLPL) has been growing significantly during the last few years. To cater to the needs of its expanding business, it has arranged a short term loan of Rs. 10 million which will be provided by ABC Bank Limited on 1 October 2013 and would be secured by mortgage of factory building of the company. The entire amount of loan would be repaid on 30 September 2014.

In the context of provisions of the Companies Ordinance, 1984 discuss the responsibilities of MLPL relating to the registration of mortgages and matters related thereto. **(06)**

- Q.8 (a) What do you understand by the term “special business” as referred to in the Companies Ordinance, 1984? **(04)**
- (b) Ghalib has significant shareholdings in various public and private companies. He is not satisfied with some of the resolutions passed by such companies by show of hands. You are required to advise him as regards the following:
- (i) What conditions would he need to satisfy if Ghalib wishes to request for a poll? **(05)**
 - (ii) Explain whether a company is required to oblige him if he wishes to satisfy himself about the validity of the results of voting by poll. **(02)**

- Q.9 The Board of Directors of QCM Limited, a public limited company, is in the process of making a report to be attached with the company's balance-sheet as at 30 June 2013. In view of the provisions of the Companies Ordinance, 1984, you are required to advise the directors about the contents of the report. **(09)**

Q.10 Mr. Bashir, the sole proprietor of Bashir & Co. Chartered Accountants, was appointed as the auditor of PQM Limited, an unlisted public company, for the financial year ending 31 December 2013. Mr. Bashir married Miss Asiya, a director of PQM Limited, on 29 September 2013. The company secretary of PQM Limited wants to know whether the marriage would have any impact on the status of Mr. Bashir as the auditor of the company.

Discuss the situation with reference to the relevant provisions of the Companies Ordinance, 1984.

(09)

(THE END)