2020

BUSINESS LAW

Objective Based Practice Questions

CAF-3
**Certificate in Accounting and Finance**

**Business Law**

---

**Contents**

<table>
<thead>
<tr>
<th>Question and Answers Index</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question and Answers Index</td>
<td>v</td>
</tr>
</tbody>
</table>

**Questions**

<table>
<thead>
<tr>
<th>Section A</th>
<th>Questions</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section A</td>
<td>Questions</td>
<td>1</td>
</tr>
</tbody>
</table>

**Answers**

<table>
<thead>
<tr>
<th>Section B</th>
<th>Answers</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section B</td>
<td>Answers</td>
<td>83</td>
</tr>
</tbody>
</table>
## Index to questions and answers

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHAPTER 1</strong></td>
<td>INTRODUCTION TO THE LEGAL SYSTEM</td>
<td>1</td>
</tr>
<tr>
<td><strong>CHAPTER 2</strong></td>
<td>INTRODUCTION TO THE LAW OF CONTRACT</td>
<td>5</td>
</tr>
<tr>
<td><strong>CHAPTER 3</strong></td>
<td>OFFER AND ACCEPTANCE</td>
<td>8</td>
</tr>
<tr>
<td><strong>CHAPTER 4</strong></td>
<td>CAPACITY OF PARTIES</td>
<td>11</td>
</tr>
<tr>
<td><strong>CHAPTER 5</strong></td>
<td>CONSIDERATION</td>
<td>14</td>
</tr>
<tr>
<td><strong>CHAPTER 6</strong></td>
<td>FREE CONSENT</td>
<td>17</td>
</tr>
<tr>
<td><strong>CHAPTER 7</strong></td>
<td>LEGALITY OF OBJECT, CONSIDERATION AND AGREEMENTS OPPOSED TO PUBLIC POLICY</td>
<td>20</td>
</tr>
<tr>
<td><strong>CHAPTER 8</strong></td>
<td>VOID AGREEMENT</td>
<td>23</td>
</tr>
<tr>
<td><strong>CHAPTER 9</strong></td>
<td>CONTINGENT CONTRACTS</td>
<td>26</td>
</tr>
<tr>
<td><strong>CHAPTER 10</strong></td>
<td>QUASI CONTRACT</td>
<td>28</td>
</tr>
<tr>
<td><strong>CHAPTER 11</strong></td>
<td>PERFORMANCE OF A CONTRACT</td>
<td>31</td>
</tr>
<tr>
<td><strong>CHAPTER 12</strong></td>
<td>DISCHARGE OF A CONTRACT</td>
<td>34</td>
</tr>
<tr>
<td>Chapter</td>
<td>Title</td>
<td>Question Page</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
<td>---------------</td>
</tr>
<tr>
<td>13</td>
<td>Remedies for the Breach of Contract</td>
<td>38</td>
</tr>
<tr>
<td>14</td>
<td>Indemnity &amp; Guarantee</td>
<td>41</td>
</tr>
<tr>
<td>15</td>
<td>Bailment and Pledge</td>
<td>44</td>
</tr>
<tr>
<td>16</td>
<td>Agency</td>
<td>48</td>
</tr>
<tr>
<td>17</td>
<td>Partnership Act</td>
<td>51</td>
</tr>
<tr>
<td>18</td>
<td>Indemnity &amp; Guarantee</td>
<td>54</td>
</tr>
<tr>
<td>19</td>
<td>Company</td>
<td>58</td>
</tr>
<tr>
<td>20</td>
<td>Incorporation of Company</td>
<td>61</td>
</tr>
<tr>
<td>21</td>
<td>Share Capital – Types &amp; Variations</td>
<td>65</td>
</tr>
<tr>
<td>22</td>
<td>Share Capital – Prospectus</td>
<td>68</td>
</tr>
<tr>
<td>23</td>
<td>Mortgages and Charges <em>(Treat this Chapter as Deleted)</em></td>
<td>--</td>
</tr>
<tr>
<td>24</td>
<td>Meetings</td>
<td>71</td>
</tr>
<tr>
<td>25</td>
<td>Management</td>
<td>74</td>
</tr>
<tr>
<td>26</td>
<td>Investment and Dividends</td>
<td>77</td>
</tr>
<tr>
<td>27</td>
<td>Accounts</td>
<td>80</td>
</tr>
</tbody>
</table>
CHAPTER 1: INTRODUCTION TO THE LEGAL SYSTEM

1. The President is the head of the state and he is elected for a five-year term by
   a) Senate and National Assembly
   b) National Assembly and the members of Provincial Assemblies
   c) Senate and the members of Provincial Assemblies
   d) Senate, National Assembly and the members of Provincial Assemblies

2. In a criminal case, what is the normal burden of proof place upon the prosecution?
   a) Beyond any doubt
   b) Beyond all reasonable doubt
   c) Beyond any reasonable doubt
   d) Balance of probabilities

3. In a civil case of Talal vs Kashif where a case is brought to the civil court by Mr. Talal who is filing a
   suit against Mr. Kashif. State the legal position
   a) Mr. Talal is plaintiff and Mr. Kashif is the defendant
   b) Mr. Talal is defendant and Mr. Kashif is the plaintiff
   c) Mr. Talal is accused and Mr. Kashif is the complainant
   d) Mr. Talal is complainant and Mr. Kashif is the accused

4. The criminal law aims to:
   a) Compensate injured parties
   b) Recover property which has been taken from the true owner
   c) Enforce legal obligations
   d) Penalize wrongdoers
5. Those rules and principles that govern and regulate social conduct and observance of which can be enforced in courts of law, is known as:
   a) Law
   b) Rules
   c) Policies
   d) Customs

6. Property disputes, work related disputes, copyright disputes and claims by consumer against manufacturer are examples of
   a) Administrative law
   b) Labour law
   c) Constitutional law
   d) Civil law

7. Person found guilty of a crime is the
   a) Plaintiff
   b) Respondent
   c) Convict
   d) Defendant

8. Pakistan has a Federal Parliamentary system of government. The federal legislature is a bicameral Majlis e Shoorah (Parliament), composed of
   a) President, Governor and Prime Minister
   b) President, National Assembly and Provincial Assembly
   c) President, National Assembly and Senate
   d) President, Prime Minister and National Assembly

9. The Prime Minister is assisted by a Federal Cabinet. A council of ministers whose members are appointed by the President on the advice of the
   a) Chief Justice
   b) Governor
   c) Attorney General
   d) Prime Minister

10. If the Ordinance is not presented or passed by the National Assembly in case of money bill and by both houses if it is other than money bill, it shall stand repealed after
    a) One hundred and twenty days
    b) Ninety days
    c) Sixty days
    d) One hundred days
11. All statutes passed by the National Assembly are also approved by the Senate before proceeding to the President for his assent with the exception of
   a) Treasury bill
   b) Money bill
   c) Social security bill
   d) Industrial relation bill

12. The Senate is the permanent legislative body with equal representation from each of the four Provinces with representative elected by the members of their respective
   a) Chief Minister
   b) Governor
   c) High Court
   d) Provincial Assembly

13. A money bill shall originate in the National Assembly after it has been passed by the National Assembly it shall (without being transmitted to the Senate) be presented to the
   a) President of Pakistan
   b) Chief Justice of Pakistan
   c) Chief of the Army Staff
   d) Governor of the Province

14. With criminal law, the state establishes acceptable standards of behaviour, and represents the interest of _____________.

15. It is the responsibility of the State (and not private individuals) to bring breach of the criminal law in _____________.

16. In Senate, eight senators shall be elected from the Federally Administered Tribal Areas as may be prescribed by the ______________.

17. The President shall within ____________ assent to the bill or return it to the Parliament for reconsideration of any provision.

18. A violation of the civil law is a _____________, but is not a crime.
CHAPTER 2: INTRODUCTION TO THE LAW OF CONTRACT

1. The Law of Contract is
   a) Whole law of obligations
   b) Law of only contractual obligations
   c) Law of judgements of the courts
   d) Law of quasi-contracts

2. The Law of Contract is
   a) Law of agreements
   b) Law of agreements which creates legal obligation
   c) Law of all agreements
   d) Law of personal and social agreement

3. A contract in which nothing remains to be done by either party is called
   a) Executed
   b) Executory
   c) Unilateral
   d) Voidable

4. Legal relationship, in relation to law of contact, means
   a) Lawful relationship
   b) Relationship permissible by law
   c) Legal rights and obligations
   d) All rights and obligations

5. Voidable contract is voidable at the option of
   a) Both parties of contract
   b) One party of the contract
   c) None of the parties of the contract
   d) Aggrieved party of a contract

6. Which of the following statements is true:
   a) Voidable contract is valid at the time of making it
   b) Contract is void if an essential of free consent is missing in it
   c) All void agreements are illegal
   d) All illegal agreements are not necessarily void
7. Which of the following statement is true
   a) Void agreement and void contract are one and same
   b) Void agreement create legal rights and obligation between parties
   c) Void contracts remain valid until they are declared void
   d) Any transaction based on void contract will also be void

8. Which of the following statement is true
   a) Agreements between husband and wife constitute a contract
   b) Agreement between friends cannot be enforced
   c) Agreements between friends creating legal relationship can be enforced
   d) All agreements are contract

9. Void agreement can be enforced
   a) By one of the parties
   b) By aggrieved party
   c) By none of the parties
   d) By the party entitled to do so

10. An agreement to be enforced in the court must have
    a) Legal enforceability
    b) Mutual consent between the parties
    c) Lawful consideration
    d) All of the above

11. An agreement is a voidable contract when it is
    a) Enforceable if certain conditions are fulfilled
    b) Enforceable by law at the option of the aggrieved party
    c) Enforceable by both the parties
    d) Not enforceable at all

12. An agreement not enforceable by law is said to be
    a) Void
    b) Voidable
    c) Valid
    d) Unenforceable

13. A Contract
    a) May be void as originally entered into
    b) May become void subsequent to its formation
    c) Cannot become void under any circumstances
    d) May become void at the will of a party
14. A contract in which a promise on one side is exchanged for a promise on the other is called
   a) Executed
   b) Bilateral
   c) Unilateral
   d) Voidable

15. Which of the following statement is true
   a) Valid contract is always valid
   b) Valid contract is not valid from the time it was made
   c) Valid contract may become void later on
   d) Valid contract is necessarily void agreement

16. A ________ may be defined as an agreement which creates rights and obligations between the parties.

17. ___________ are those which are not made in writing or by the words of mouth.

18. Every ____________ is an agreement but every agreement is not always a ____________.

19. Contract becomes void when it ceases to be ____________ by law.

20. Every promise and every set of promises forming the ________________ for each other is an agreement.
CHAPTER 3: OFFER AND ACCEPTANCE

1. Lawful offer is
   a) Promise
   b) Legal relation
   c) Proposal
   d) Presentation

2. Which of the following result/results in an offer?
   a) A declaration of intention
   b) An invitation to offer
   c) An advertisement offering reward to anyone who finds the lost dog of the advertiser
   d) An offer made in a joke

3. A letter of acceptance, for a lawful and legal matter, sufficiently stamped and duly addressed is put into course of transmission. There is
   a) A contract voidable at the option of acceptor
   b) A contract voidable at the option of offer or
   c) No contract at all
   d) A valid contract

4. An offer is not different from
   a) Advertisement
   b) Price list
   c) Proposal for doing or not doing something
   d) Display of the goods

5. A makes an offer to B on 10th by a letter which reaches B on 12th. B posts letter of acceptance on 14th which reaches A on 16th. The communication of acceptance is complete as against A on
   a) 12th
   b) 14th
   c) 16th
   d) 10th

6. Offer is simply a
   a) Mere expression of willingness to do or not to do some thing
   b) Intention to create legal relationship
   c) Intention to get assent of other party for offered act or abstinence
   d) All of the above
7. An offer cannot be made
   a) By the words of mouth
   b) By the conduct of party
   c) By the circumstances
   d) To the offeror himself

8. An offer is said to be revoked
   a) By non-fulfillment of condition precedent to acceptance
   b) Acceptance is not in prescribed mode, but offeror does not reject it
   c) Acceptance is not given within reasonable period of time, but offeror does not object
   d) Misunderstanding has arisen between offeror and offeree

9. Acceptance must be given in:
   a) Usual manner
   b) Prescribed manner
   c) Any manner suitable to the offeree
   d) More effective manner

10. Which of the following statements is true
    a) A proposal may be revoked at any time before the communication of its acceptance is complete as against the offeree.
    b) Acceptance may be revoked at any time, before the communication of acceptance is complete as against the acceptor
    c) An offer initially rejected may subsequently be accepted
    d) Letter of offer may be sent after letter of acceptance

11. A person cannot make an offer
    a) To a person of sound mind
    b) To his friend
    c) To himself
    d) To the citizen of a foreign country

12. An offer gets legal consequences
    a) As soon as it is made
    b) As soon as it is communicated
    c) As soon as it is revoked
    d) As soon as it is accepted
13. Implied acceptance is inferred
   a) From the silence of offeree
   b) From the conduct of the offeree
   c) From the written statement of the offeree
   d) From the oral statement of the offeree

14. Abdullah offered by letter to sell Karim his motorbike for Rs. 5,000. Karim wrote back saying he accepted the offer and would pay in two instalments at the end of the two following months. Is there a contract?
   a) No, because Karim is trying to amend the contractual terms. Abdullah can be assumed to revoke the offer
   b) Yes, there has been an offer and acceptance and a binding contract applies
   c) No, Karim’s response constitutes a counteroffer and is effectively a rejection of Abdullah’s offer
   d) Yes, Karim’s response is merely a clarification of contractual terms.

15. General offer can be accepted
   a) By any member of the public who had notice of the offer
   b) By all members of the public
   c) By any member of public who did not have notice of the offer
   d) By a particular member of the public

16. If goods were displayed in a departmental store for sale and self-service system was there. One customer selected an item. Here the display of goods is _________ and selection by the customer is an offer to buy.

17. If an offer is made to a definite or a particular person, such offer can be _________ only by that definite or particular person or that specific group of persons.

18. In case of acceptance made by post, the _________ becomes bound as soon as the letter of acceptance is posted even if such letter is lost or delayed.

19. An offer will come to an end within a reasonable time when no time is specified. What is the reasonable time is a question of fact depending upon the ___________ and ___________.

20. When the mode of acceptance is not prescribed, the acceptance must be given in ________.
CHAPTER 4: CAPACITY OF PARTIES

1. An agreement by an idiot is
   a) Voidable
   b) Enforceable
   c) Invalid
   d) Void ab-initio

2. An agreement made with a minor is:
   a) Void
   b) Void ab-initio
   c) Voidable
   d) Unenforceable

3. Agreement made with a minor for basic necessities is
   a) Valid
   b) Voidable
   c) Unenforceable
   d) Void, but money involved is recoverable from estate of minor

4. There are some disqualifications imposed on certain persons in respect of their capacity to contract. Choose the incorrect one from the following
   a) Convict
   b) Alien enemy
   c) Solvent
   d) Foreign sovereign

5. Minor can be appointed as an agent, because
   a) Creation of agency does not require any consideration
   b) Agent makes agreement on behalf of principal
   c) The minor has not attained the age of majority
   d) Agreement made by minor is void, therefore principal is on safe side

6. A person is said to be of sound mind if
   a) He is mentally fit for making decisions
   b) He is capable of understanding contract and forming rational judgement about it
   c) He has been declared as of a sound mind by the Doctor
   d) He can make contract and can obtain benefit
7. Alien enemy cannot make agreement with Pakistani citizen because
   a) He is not allowed to do so, by the Government of his country
   b) Agreement made by him may not be in his interest
   c) He is legally disqualified from making contract
   d) Agreement may not be in the interest of citizen of Pakistan

8. A convict may be debarred from making agreement
   a) For one month only
   b) For ever
   c) For a particular period of time
   d) When he was convicted of an offence

9. Contractual capacity of the person is affected by
   a) His age
   b) His soundness of mind
   c) By law to which he is subject
   d) By all above factors

10. Which of the following statement is true
    a) Corporation or company can enter into a contract
    b) Foreign Ambassador can be sued in by Pakistani citizen for enforcing rights of agreement
    c) Married woman can make agreement regarding joint property of husband and wife
    d) Lunatic has no contractual capacity at all

11. A minor becomes liable for basic necessities supplied to him
    a) After attaining age of majority
    b) After minor makes promise to pay for
    c) From his personal property if any
    d) He is not at all liable

12. Which of the following statement is true
    a) Minor cannot be appointed as an agent
    b) Minor is not allowed to plead his minority always
    c) An agreement with a minor is void
    d) Minor can ratify void agreement, when he becomes major

13. Which of the following statement is false
    a) Minor cannot become partner in a firm
    b) Education loan taken by the minor is recoverable from his property
    c) Minor can be declared as an insolvent
    d) An agreement with a minor is void
14. A person is usually of unsound mind, but occasionally of sound mind
   a) He may enter into a contract when he is of sound mind
   b) He may not make a contract even when he is of sound mind
   c) He cannot enter into a contract at all
   d) None of the above

15. Contract entered before the declaration of war are
   a) Either suspended or terminated during the period of war
   b) Executory contract
   c) Voidable
   d) Void ab initio

16. According to Section 11 of the Contract Act, every person is ____________who is of the age of
    majority, is of sound mind and is not disqualified by any law.

17. If a parent of a minor entered into an agreement on behalf of a minor being within the scope of the
    authority and for the benefit of the minor, then such agreements can be enforced by or against
    __________.

18. The examples of person having ____________include specific persons / idiots, lunatic and drunken
    persons.

19. If a person is usually of unsound mind, then the ___________ that he was of sound mind lies on the
    person who confirms it.

20. A person declared as insolvent is an incompetent to contract and he cannot enter into a contract as
    his property is dealt with by _________________.

CHAPTER 5: CONSIDERATION

1. Any lawful act will constitute consideration if it is done
   a) At the desire of promisee
   b) Voluntarily
   c) At the desire of promisor
   d) At the desire of third party

2. Consideration in order to be legally valid
   a) Must be adequate
   b) Need not be adequate
   c) Must be equal in terms of value
   d) Must be in-equal to promise

3. Agreements made on account of natural love and affection without consideration will be valid if it fulfills following conditions
   a) Expressed in writing
   b) Registered under the law
   c) Between parties standing in a near relation to each other
   d) All of the above

4. Consideration which is moved simultaneously with the promise is known as
   a) Present consideration
   b) Past consideration
   c) Future consideration
   d) Instant consideration

5. Which of the following statement is true
   a) Consideration must always be given by the promisee
   b) Consideration must be given by third party on behalf of promisee
   c) Consideration must be given by the agent of promisee
   d) Consideration may be given by promisee or any other person on his behalf

6. Which of the following statement is true
   a) Act done at the request of the third party will form consideration for the promisor
   b) Act done by the promisee voluntarily constitutes consideration for the promisor
   c) Act done by third party will constitute consideration
   d) Act done at the request of promisor will constitute consideration for the promisee
7. Agreement made without consideration is
   a) Void
   b) Unlawful
   c) Unenforceable
   d) Voidable

8. Which of the following statement is true
   a) Future consideration or Executory consideration is one and same
   b) Past consideration is not as good as present consideration
   c) A promise to accept lesser fulfilment of promise requires consideration
   d) Consideration affects validity of completed gift.

9. Akram makes an agreement for buying raw material from Bilal on 1st January. The raw material is to be supplied by Bilal on 20th January and payment is to be made by Akram on 15th March. What is the legal status of this contract?
   a) This contract is not valid as consideration has not been supplied
   b) This contract is valid as consideration is present consideration
   c) This contract is not valid because past consideration is not recognized by law
   d) This contract is valid as consideration is future consideration

10. According to the Contract Act which consideration is not valid
    a) Past consideration
    b) Present consideration
    c) Future consideration
    d) Illusory consideration

11. Consideration must be given at the desire of
    a) Promissee
    b) Promisor
    c) Both of them
    d) Third party

12. The promisor is bound to donate money
    a) If he has made promise to donate
    b) If he has charitable bent of mind
    c) If the promissee has undertaken some liability on the basis of such promise
    d) Under none of the above condition
13. Consideration must be something which the promisor
   a) Is already bound to do
   b) Is not already bound to do
   c) May voluntarily do
   d) Must not do

14. A promise to compensate, wholly or in part, a person who has voluntarily done something for the promisor is
   a) Enforceable
   b) Not enforceable
   c) Void
   d) Voidable

15. Consideration
   a) Must move from the promisee
   b) May move from the promisee or any other person
   c) Must move from the third party
   d) May move from the promisor

16. According to the rule, any act or promise will be valid consideration if such act has been done or promise is made at the desire or request of the ______________.

17. In agreement promisor makes promise for doing or not doing something. Such promise will have some value. According to the Contract Act it is not necessary that the value of promise should be ____________.

18. A promise to pay ____________ is enforceable, if it is made in writing and It is signed by the debtor or his agent.

19. Inadequacy of consideration does not affect validity of contract, but whatever consideration is being given it must be ____________.

20. In the case of charitable subscription, where the ____________ on the strength of the promise makes commitment i.e. changes his position to the detriment
CHAPTER 6: FREE CONSENT

1. Relation between the parties must exist to use
   a) Fraud
   b) Undue influence
   c) Coercion
   d) Mistake

2. Undue influence implies
   a) It involves moral pressure
   b) Criminal liability is incurred
   c) Pressure of money
   d) Physical pressure on the party

3. Coercion may be directed upon
   a) The party whose consent is being caused
   b) Any other party
   c) Either (a) or (b)
   d) None of the above

4. Fraud exists, if it is shown that false statement has been made
   a) Knowingly
   b) Without belief in its truth
   c) Recklessly without caring it be true and false
   d) All of the above, if done, with an intention to deceive

5. Undue influence is legally not presumed in case of
   a) Guardian and ward
   b) Creditor and debtor
   c) Solicitor and client
   d) Trustee and beneficiary

6. Which of the following is not true
   a) Undue influence must be exercised by or against the party to a contract
   b) Coercion can be exercised by a stranger to the contract
   c) A contract is not voidable if it was caused by a mistake as to any law in force in Pakistan
   d) Duty to speak does not make silence as fraud
7. A person threaten to commit a suicide, if his wife and son did not contract with his brother to release certain disputed property in his favour. What is the legal status of this agreement?
   a) The contract was caused by coercion
   b) The contract was caused by undue influence
   c) The contract was caused by moral pressure
   d) None of the above

8. When party standing in fiduciary relationship make an agreement, legally it will be presumed that the party in a dominating position, must have caused the consent of other through undue influence which includes
   a) Father and son
   b) Doctor and patient
   c) Teacher and student
   d) All of the above

9. Bilal is a manufacturer of colour television sets. He gives an advertisement that in his opinion television sets manufactured by him is the best available in the market. Such statement
   a) Will amount to misrepresentation
   b) Will amount to active concealment
   c) Will amount to fraud
   d) Will not amount to fraud

10. Unlawful detaining or threatening to detain any property with an intention of causing any person to enter into a contract is
    a) Misrepresentation
    b) Bilateral mistake of fact
    c) Fraud
    d) Coercion

11. Mr. A has two horses, one is black and another is white. He makes an agreement to sell one horse to Mr. B. Mr. A believes that he is making an agreement for selling white one, whereas Mr. B thinks that he is buying black horse. Is there any contract between Mr. A and Mr. B
    a) Yes, but the contract is void on account of unilateral mistake regarding material fact.
    b) Yes, but the contract is void on account of unilateral mistake of foreign law.
    c) Yes, but the contract is void on account of bilateral mistake regarding material fact.
    d) Yes, but the contract is void on account of unilateral mistake of Pakistan law.

12. A young widow was forced to adopt the boy, under threat of preventing the dead body of her husband from being removed and getting cremated. Can widow set aside adoption deed?
    a) No because the adoption deed was made by her free will
    b) No because the adoption deed was made by fraud
    c) Yes, because the adoption deed was made by undue influence
    d) Yes, because the adoption deed was made by coercion
13. Coercion is the committing or threatening to commit any act which is forbidden by
   a) Pakistan Penal Code
   b) The Contract Act
   c) The Partnership Act
   d) None of the above

14. Which of the following does not affect free consent of parties
   a) Fraud
   b) Misrepresentation
   c) Undue influence
   d) Unsoundness of mind

15. Which one is not a fraud
   a) Non-disclosure of material facts, known to the party
   b) Silence maintained by the party where silence is equivalent to his speech
   c) Active concealment of facts having knowledge
   d) A promise made without any intention or performing it

16. The aggrieved party in case of _______________ cannot rescind the contract, if he had the means of
    discovering the truth by ordinary diligence

17. Two or more persons are said to consent when they agree upon the same thing in the same sense. In
    law, this is called ________________.

18. The fraud must be committed by a party to a contract or by anyone with his _________ or by his
    agent.

19. The term unilateral mistake means where only one party to the agreement is under a mistake and a
    contract is not voidable but according to the exception the agreement is void where a unilateral
    mistake relates to the ____________ and ____________.

20. A promise made without the intention of performing it amounts to __________.
CHAPTER 7: LEGALITY OF OBJECT, CONSIDERATION AND AGREEMENTS OPPOSED TO PUBLIC POLICY

1. It is necessary that in a valid contract
   a) Consideration must be lawful
   b) Object must be lawful
   c) Both of these must be lawful
   d) Anyone of these may be lawful

2. An agreement is immoral if
   a) Court regards it immoral
   b) People thinks it immoral
   c) Society does not recognize it as moral
   d) It is below the standard of moral

3. Which of the following statement is true
   a) No action is allowed in illegal agreement
   b) Partial action is allowed in illegal agreement
   c) One party of illegal agreement may be allowed to take action on it
   d) Law may allow action on such agreement

4. Criminals should be prosecuted and punished. An agreement for stifling prosecution is
   a) Valid agreement
   b) Voidable contract
   c) Unenforceable agreement
   d) Illegal agreement

5. Agreements oppose to public policy are those,
   a) Which are not liked by the public
   b) Which are against their personal interest
   c) Which injure the interest of public at large
   d) Which do not favour public

6. Agreement made with alien-enemy during the period of war is
   a) Void agreement
   b) Illegal agreement
   c) Voidable agreement
   d) Unenforceable agreement
7. Object of an agreement is said to be unlawful if it is
   a) Not Punishable by law
   b) Forbidden by law
   c) Not prohibited by special legislation
   d) All of the above

8. Which of the following agreement is valid
   a) Agreement to pay money for procuring wife
   b) Agreement to pay money in consideration for breaking a marriage
   c) Agreement to procure employment in public office in consideration of money
   d) Agreement to adopt a child duly made under Pakistan’s law

9. Every contract is made for a lawful object or lawful purpose. The object of a contract is form on the
   basis of promises made by the parties. The contract to be legally valid must contain lawful object
   which includes
   a) If it is not forbidden by law
   b) If it is not defeating the provisions of any law
   c) If it is not fraudulent
   d) All of the above

10. An agreement is said to be unlawful if the court regards it as oppose to public policy. Which one of the
    following is not against the public policy?
    a) Stifling prosecution
    b) Sale of public offices
    c) Trading with alien friend
    d) Marriage brokerage agreement

11. Mr. A, in consideration of Rs. 100,000/- from Mr. B agrees to publish defamatory material against Mr.
    Talal, a famous lawyer, in order to damage his goodwill and reputation. This agreement is void
    because
    a) It is fraudulent
    b) It is immoral and against public policy
    c) It involves an injury to a person
    d) It defeats the provision of any law

12. Mr. T agrees to buy share at premium in a joint stock company through a broker Mr. S who has given
    the false impression to the public that shares were useful of being purchased at a premium. Later on
    he found that broker has sold his own shares to him and not purchased any shares from the market.
    What is the status of this agreement?
    a) The agreement is valid as it is a business transaction
    b) The agreement is void because the consent is obtained by coercion
    c) The agreement is valid because it is in the favour of Mr. T
    d) The agreement is void because it was aimed at cheating the public
13. Mr. P had advanced money to Mrs. D, a married woman, to enable her to obtain divorce from her husband. Mrs. D agreed that as soon as she gets divorced she will marry with Mr. P. What is the legal status of this agreement?
   a) This agreement is valid as marriage is a lawful contract
   b) This agreement is valid as this is made with the free consent of the parties.
   c) This agreement is void because it is a marriage brokerage agreement
   d) This agreement is void on account of undue influence.

14. Due to unlawful object agreement is
   a) Enforceable
   b) Voidable
   c) Unenforceable
   d) Void

15. The collateral transaction to an illegal agreement are
   a) Valid
   b) Not to be enforced
   c) Voidable
   d) Not affected at all

16. An agreement made with an alien enemy during the period of war is ___________

17. A person enters into an agreement whereby he is bound to do something which is against his public or professional duty. This agreement is void on the ground of ____________.

18. An agreement to create ____________ is void as this will impair consumer sovereignty and result in high prices for low quality of goods and services.

19. An agreement which prevents a parent to exercise his right of ____________ is void.

20. An act is forbidden by law when it is _________________ by the law of the country.
CHAPTER 8: VOID AGREEMENT

1. In case of sale of goodwill, restraint to similar business for the seller of goodwill is valid if it is for
   a) Specified local limits
   b) Particular period of time
   c) Restriction must be reasonable
   d) All of the above

2. Which one of the following is not void
   a) Agreement to marry a particular person
   b) Agreement not to marry at all
   c) Agreement to prevent the person from getting married
   d) Agreement to marry in heaven

3. Which one of the following is not a restraint to trade
   a) Agreement to sell all produce to a certain party with a stipulation that buyer is bound to accept whole quantity
   b) Agreement to stop rival shop-keeper in particular locality from doing business in consideration of money
   c) Agreement to sell all produce to a certain party and the buyer is free to rejects the goods
   d) Partial restraint in trade

4. In case of sale of goodwill of business, the vendor of goodwill may be lawfully restricted from doing similar business
   a) Anywhere in that particular area
   b) Within specified local limits
   c) Within that particular district
   d) Within that particular province

5. Agreements in restraint of legal proceedings include
   a) Agreements which tend to prevent course of justice
   b) Agreement to refer present dispute to an arbitration
   c) Agreement to settle dispute out of the court
   d) Agreement to refer future dispute to arbitration

6. Which one of the following agreements is restraint to legal proceedings
   a) Agreement for curtailing period of limitation prescribed by Limitation Act
   b) Agreement to select one court from two courts having jurisdiction on that matter
   c) Agreement whereby neither party shall appeal against the decision of trial court
   d) Agreement to settle dispute out of the court
7. Which of the following agreements is valid
   a) Agreement limiting the time allowed by the law of limitation
   b) Agreement which contains vague or ambiguous terms which cannot be made certain
   c) Agreement, meaning of which seems to be uncertain but is capable of being made certain
   d) Agreement to agree in future

8. Parties of wagering agreement do not have
   a) Any interest in the happening or non-happening of future uncertain event
   b) Interest in the non-happening of the events
   c) Some other interest in the happening of the event
   d) Some other interest in the non-happening of the event

9. Which one of the following is void agreement
   a) Agreement to buy ticket of lottery sponsored by the Government
   b) Agreement to pay more than Rs. 500/- to the winner of a horse race
   c) Crosswords puzzle based on application of skill and talent
   d) Athlete competition

10. Void agreement do not create any rights and obligations between parties and cannot be enforced in the court either by the parties in addition, there are many agreements which have also expressly being declared as void by the law, which of the following is not a void agreement
    a) Agreement in restraint of trade
    b) Agreement in restraint of marriage
    c) Agreement in restraint of marriage of a minor
    d) Agreement in restraint by way of wager

11. Agreements made with a primary objective of regulating business or conditions of a business are valid. These agreements may take a form of trade association, chamber of commerce and business association etc. which of the following arrangement is void in relation to trade combination
    a) Firms voluntarily reducing competition by dividing market
    b) To regulate the market of their product
    c) To create monopoly in the market
    d) Fixing prices and standardizing goods

12. In anticipation of huge sale of sweets during Eid festival all sweet makers of Islamabad make an agreement that they will not sell sweets below Rs.1000/- per Kg. State the legal position of this agreement
    a) This agreement is a valid agreement
    b) This agreement is not creating monopoly in the market thus it is valid
    c) This agreement tends to create monopoly in the market thus it is void
    d) This agreement is voidable at the option of one party
13. Mr. Bilal agreed to work with Dr. Abdullah at ABC Hospital for a period of six months to treat the patients of coronavirus. The contract provided that during the term of agreement Mr. Bilal will not practice in any other hospital. However, after one month of service, Mr. Bilal left the hospital and joined another hospital. State the legal position.
   a) Mr. Bilal can join any other hospital of his own choice any time
   b) Mr. Bilal cannot join any other hospital of his own choice even after the end of agreement
   c) Mr. Bilal can join any other hospital of his own choice before the end of agreement
   d) Mr. Bilal cannot join any other hospital of his own choice before the end of agreement

14. Wagering agreement is one in which money is to be paid by one to another party or vice versa on the happening or non-happening of future uncertain event. In wagering agreement either of the party is to win or to lose. The following constitutes the essential of wagering agreement.
   a) Mutual gain or loss
   b) Uncertain event
   c) No control of the parties, on the happening of the event.
   d) All of the above

15. According to the relevant section of the Contract Act, agreement by way of wager is void. Which of the following transaction is not included in wagering agreement?
   a) Transactions of lotteries
   b) Gambling transaction
   c) Purchase of shares and debentures
   d) None of the above

16. Rahul and Kumar are two rival shopkeepers in Ramswami colony of Karachi. They make an agreement that if Rahul closes his shop from the colony, Kumar will pay him Rs.20000/-. Later on Kumar refuse to pay. Now Rahul wants to file a suit against Kumar in a court of law. Rahul cannot recover this amount from Kumar as the agreement is __________________.

17. Mr. Rehman was appointed as an agent for selling the goods produced by Mr. Raheem. On a condition that Mr. Rehman will not deal in goods of any other manufacturer. This restraint is ______________.__

18. Every agreement in restraint of the ____________ of any person other than a minor is void.

19. Ms. Sofia agreed to sing at the theatre of Mr. Andrew for three months and will not sing elsewhere. It was held that she can be ____________.

20. To enforce an agreement in the court its meaning must be certain or capable of being made certain. Any uncertainty in the meaning of agreement will create uncertainty regarding rights and obligations. Such uncertain rights and obligations cannot be claimed in the ______________.
CHAPTER 9: CONTINGENT CONTRACTS

1. Contingent contracts are
   a) Always valid
   b) May be valid
   c) May be voidable
   d) May be unenforceable

2. Performance of contingent contract depends on
   a) Happening of some future event
   b) Non-happening of some future event
   c) Happening or Non-happening of some uncertain event
   d) Happening or Non-happening of some uncertain event collateral to such contract

3. Which of the following statement is true
   a) All contacts of indemnity are contingent contracts
   b) All contracts are contingent contract
   c) All quasi contracts are contingent contract
   d) Some of the quasi-contract are contingent contract

4. Agreement to pay money without having any other interest on the happening or non-happening of some future event is
   a) Contingent contract
   b) Insurance contract
   c) Wagering agreement
   d) Quasi contract

5. Contingent contracts are
   a) Absolute contracts
   b) Partly absolute contracts
   c) Conditional contracts
   d) None of the above

6. Which one of the following statement is true
   a) All contingent contracts are not wagering in nature
   b) Contingent contracts and wagering contracts are one and same
   c) Contingent contracts are absolute contracts
   d) Contingent contracts are not conditional contract
7. Contingent contract is based on an event
   a) Which is uncertain
   b) Which is certain to happen
   c) Which is partly uncertain
   d) Which is partly certain

8. A contract of insurance is a
   a) Contract of guarantee
   b) Contingent contract
   c) Wagering agreement
   d) Unilateral agreement

9. A contingent contract is
   a) Forbidden by law
   b) Immoral
   c) Opposed to public policy
   d) None of the above

10. Mr. X agrees to pay a certain sum to Mr. Y, if Mr. Y brings on earth a star from the sky. It is
    a) Valid contract
    b) Void agreement
    c) Voidable contract
    d) Void contract

11. Mr. A contract to pay Mr. B sum of Rs.20000. If his house gets on fire. It is
    a) Wagering agreement
    b) Contingent contract
    c) Unilateral agreement
    d) Bilateral agreement

12. Parties of a contract do not have any interest in the subject matter, in.
    a) Contingent contract
    b) Quasi contract
    c) Wagering agreement
    d) Insurance contract
CHAPTER 10: QUASI CONTRACT

1. Quasi-contract means
   a) Obligations imposed by law resembling those created by contract
   b) Obligation partly created by contract and partly by law
   c) Obligation partially enforceable by the law
   d) Obligation imposed by contract

2. Quasi-contract is based on
   a) Surrounding circumstances
   b) Naturally created rights and obligation
   c) Principal of equity and justice
   d) Principal of reasonableness and fairness

3. In case, articles of necessaries are supplied to the person having no contractual capacity or to his dependent, the supplier is entitled to be reimbursed
   a) From the property of that incapable person
   b) From the property of dependent
   c) Personal liability of that capable person
   d) From none of these

4. Compensation for non-gratuitous act is valid provided
   a) Party doing act has an intention to get compensation
   b) The person for whom the act is done must have got benefit
   c) Act done by the party is lawful
   d) All of the above

5. In case, necessaries are supplied to the person having no contractual capacity, which of the following is recoverable from his property
   a) Market price
   b) Contracted price
   c) Reasonable price
   d) Cost plus price

6. Finder of goods is under legal obligation for taking
   a) Reasonable care of the goods
   b) Required care of the goods
   c) Little care of the goods
   d) That much care, which he can take
7. When one party under a mistake of fact or mistake of law pays money to another party, which is not due by contract, then
   a) Another party should refuse to repay it
   b) Another party must repay it to the party paying it
   c) Another party may repay it to the party paying it
   d) Another party may refuse to repay it

8. Quasi-contract implies creation of legal rights and obligations between parties without making any formal contract which one of the following is not the type of Quasi-contract
   a) Supply of necessaries to the person having no contractual capacity
   b) Supply of necessaries to the person having no contractual capacity or to his dependent
   c) Obligation to pay for non-gratuitous act or service
   d) Obligation to pay for gratuitous act or service

9. Mr. A has lost his pet dog. Not being able to find it out he announces that whosoever finds it and returns it back to him, he will suitably reward him. Mr. D found that dog and took custody of it. On tracing Mr. A, Mr. D claimed expenses which he incurred for the maintenance of dog and reward. State the legal position
   a) Mr. A is bound to pay only reward to Mr. D
   b) Mr. A is bound to pay only expenses to Mr. D
   c) Mr. A is bound to pay both reward and expenses to Mr. D
   d) Mr. A is bound to pay nothing to Mr. D

10. Mr. X supplied rice and wheat worth Rs.20000/-, Mr. Y supplied a mobile phone worth Rs. 30000/- and Mr. Z lent Rs.50000/- for the purchase of necessaries to the wife and children of Mr. M, a lunatic. Mr. M has assets worth Rs. 100000/-. Can Mr. X, Mr. Y and Mr. Z recover anything from Mr. M?
    a) Mr. X, Mr. Y and Mr. Z can recover their full money.
    b) Mr. X, Mr. Y and Mr. Z cannot recover their full money.
    c) Mr. X and Mr. Y can recover their full money.
    d) Mr. X and Mr. Z can recover their full money.

11. Mr. X is employed as a managing director in a company. After he rendered service for some time, it is found that the board of directors was not competent to appoint him as such. Can Mr. X recover anything from the company?
    a) Mr. X cannot recover compensation for the work done by him
    b) Mr. X can recover compensation for the work done by him on quantum meruit basis
    c) Mr. X cannot recover compensation as the contract is indivisible
    d) Mr. X cannot recover compensation as his appointment is invalid
12. Mr. X agreed to construct a house for Mr. Y for Rs. 100,000. After having done three fourth of the work, he abandons the contract. Mr. X afterward claims 75% payment from Mr. Y. Can Mr. X recover anything from Mr. Y?
   a) Mr. X cannot recover anything from Mr. Y because the contract is indivisible.
   b) Mr. X can recover something from Mr. Y because the contract is indivisible.
   c) Mr. X cannot recover anything from Mr. Y because the contract is divisible.
   d) Mr. X can recover something from Mr. Y because the contract is divisible.

13. Mr. A picked up a diamond from the floor of Mr. B’s shop and handed it over to Mr. B to keep it till owner is found. Mr. B did his best to find out the owner but true owner could not be found. After some time, Mr. A offered Mr. B the lawful charges incurred by Mr. B and asked him to return the diamond to him. Mr. B refuse to do so. Discuss the legal position
   a) Mr. B must return the diamond to Mr. A because Mr. A was entitled to retain it.
   b) Mr. B must not return the diamond to Mr. A because Mr. A was not entitled to retain it.
   c) Mr. B must not return the diamond to Mr. A because Mr. A was not the owner of the shop.
   d) Mr. B must return the diamond to Mr. A because Mr. B was the owner of the shop.

14. In case of non-gratuitous act or service, the obligation to pay arises if the following condition is satisfied.
   a) The thing must have been done or delivered lawfully
   b) The person who had done or delivered the thing must not have intended to do so gratuitously
   c) The person for whom the act is done must have enjoyed the benefit of the act
   d) All of the above

15. In Quasi-contract, there are
   a) Legal formalities
   b) Legal obligations
   c) Contractual obligations
   d) None of these

16. A person to whom money has been paid, or anything delivered by ____________ or ____________, must repay or return it.

17. A person, who is interested in the ____________ which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

18. ____________is subject to rights and obligations, when he finds the goods and takes custody of those goods.

19. In Quasi-contract, there are ____________ imposed by law.

20. In case, the obligation of quasi-contract is not discharged aggrieved party is entitled to same ____________ as in the case of breach of contract.
CHAPTER 11: PERFORMANCE OF A CONTRACT

1. Contract is said to be performed when
   a) One party fulfills his promise
   b) Both promisors perform their respective promises
   c) Law dispenses with performance
   d) One of the promisor makes attempted performance

2. Valid tender requires
   a) To be unconditional
   b) To be made at proper place and time
   c) To be made for whole quantity / obligation
   d) All of the above factors

3. Mr. A agrees to supply 100 bags of tea to Mr. B @ Rs.1000/- per Bag on a particular date. Mr. B was to pay subsequently after the supply of tea. On due date Mr. A supplies tea and Mr. B makes payment. But, if on due date, Mr. A takes the contracted quantity of tea to Mr. B’s godown and Mr. B refuses to accept the delivery. State the legal position.
   a) 1st case is attempted performance and 2nd is voidable contract
   b) 1st case is voidable contract and 2nd is attempted performance
   c) 1st case is actual performance and 2nd is attempted performance
   d) 1st case is attempted performance and 2nd is actual performance

4. Which one of the following is not a joint promise:
   a) Several joint promisors with a single promisee
   b) Single promisor with several joint promisees
   c) Several joint promisors with several joint promisees
   d) Single promisor with single promisee

5. Mr. X borrowed sum of Rs. 100,000/- from Mr. Y for two years. After one year Mr. X dies and Mr. Z, who is a legal representative inherits property of Rs. 60,000/- from him. On the due date of repayment Mr. Y will call upon Mr. Z to repay. But the capacity of Mr. Z is limited up to the value of Rs. 60,000/-. State the legal position.
   a) Mr. Z is liable to pay only Rs. 60,000/-
   b) Mr. Z is liable to pay only Rs. 100,000/-
   c) Mr. Z is liable to pay only Rs. 40,000/-
   d) Mr. Z is liable to pay only Rs. 160,000/-

6. For the performance of joint promise
   a) All joint promisors are jointly liable
   b) All of them are severally liable
   c) All joint promisors are individually liable
   d) All joint promisors are jointly and severally liable
7. Contract should be performed  
   a) By promisor  
   b) By his legal representative  
   c) By the agent of promisor  
   d) Any of the above

8. Mr. A and Mr. B have borrowed sum of Rs.10,000/- from Mr. C. On due date both parties i.e. Mr. A and Mr. B are jointly liable to pay. If before the payment Mr. A dies, who will be liable to pay Rs.10,000/-?  
   a) Mr. B is liable to pay Rs.10,000/-  
   b) Mr. B is liable to pay Rs.15,000/-  
   c) The legal representative of Mr. A along with Mr. B is liable to pay Rs.10,000/-  
   d) The legal representative of Mr. A is liable to pay Rs.10,000/-

9. Contractual Liability involving personal skill  
   a) Can be assigned  
   b) Cannot be assigned  
   c) Must be assigned  
   d) Should be assigned

10. When the time is an essence of a contract, promisor fails to perform his promise on time,  
    a) Contract becomes voidable at the option of promisee  
    b) Contract becomes void  
    c) Contract becomes unenforceable  
    d) Promisor must pay compensation to the promise

11. Which one is not a reciprocal promise  
    a) Mutual and separate promises  
    b) Mutual and independent promises  
    c) Mutual and dependent promises  
    d) Mutual and concurrent promises

12. Payment received by the creditor must be appropriated for discharging debt  
    a) Which has been borrowed at last  
    b) According to instruction given by the debtor  
    c) In a logical sequence of the debts  
    d) Which has been borrowed at first

13. Mr. X promises to sell standing timber to Mr. Y. As per the terms of a contract Mr. X will cut and cord the timber, whereupon Mr. Y will take it away and pay for it. Mr. X cord's only a part of timber and neglects to cord the rest. Mr. Y wants to initiate legal proceedings. Suggest him the legal action.
a) Mr. Y may avoid contract
b) Mr. Y may claim compensation from Mr. X
c) Mr. Y does not have any legal remedy
d) Mr. Y may avoid the contract and claim compensation from Mr. X

14. Mr. Karam owes several debts to Mr. Karim, which are of distinct amount and payable on different dates. One of the debts has become time-barred which Mr. Karim cannot legally recover from Mr. Karam. On a particular date Mr. Karam makes a payment, but does not give any instruction. State the legal position with regard to the appropriation of payment.
   a) Mr. Karim has no right to apply this payment for time-barred debt
   b) Mr. Karam’s instruction has to be followed
   c) Mr. Karim has to obtain court’s advice
   d) Mr. Karim has a right to apply this payment for time-barred debt

15. Mr. B owes to Mr. A Rs. 10,000. Mr. A ask Mr. B to deposit this amount in Mr. A’s Bank account. Mr. B deposits the amount in Mr. A’s account. After sometime bank has stopped functioning and Mr. A has no information regarding transfer of money to his account. Mr. A is claiming that Mr. B is still liable to pay him the amount. Is Mr. B liable?
   a) Mr. B has followed the instruction of Mr. A so he is discharged from his obligation
   b) Mr. B has committed fraud so he is not discharged from his obligation
   c) Mr. B has committed negligence so he is not discharged from his obligation
   d) Mr. B is liable because he failed to perform reasonable care

16. When a party to a contract has refused to perform or disabled himself from performing his promise in its entirety, the promisee may put an end to the contract, unless he has signified, by ________ or ________, his willingness in its continuance.

17. Where person ______________ promise, firstly, to do certain things which are legal, and secondly, under specified circumstances, to do certain other things which are illegal. The legal position is that the first set of promises is a contract and the second is a void agreement.

18. Mr. A and Mr. B contract that Mr. B shall execute certain work for Mr. A for Rs. 10,000/-. Mr. B is ready and willing to execute the work accordingly, but Mr. A prevents him from doing so. The contract is voidable at the option of Mr. B and if he elects to ________ it, he is entitled to recover compensation for any loss which he has incurred.

19. In case of joint promise, the promisee may compel anyone of the___________, to perform whole of the promise.

20. In case, the time of performance is not specified, the promisor must perform his promise within ______________.
CHAPTER 12: DISCHARGE OF A CONTRACT

1. Contract is said to be discharged by mutual agreement when:
   a) Change in a contract is made without free consent of the parties
   b) Change in a contract is made by one of the parties
   c) Old contract is substituted by new contract
   d) New contract is substituted by old one

2. Mr. A agreed to supply 100 tonnes of iron-ore to Mr. B on 1st January. On the due date of supply he took stipulated quantity of iron-ore to Mr. B’s Residence at 12:00 am. This is the case of attempted performance. This offer of performance or attempted performance is
   a) Valid because the promisor is fulfilling the terms of the contract
   b) Invalid because the place and time of supply is not reasonable
   c) Valid because the performance is unconditional
   d) Invalid because the time of supply is not reasonable

3. Rescission occurs under which circumstance
   a) By mutual agreement
   b) When contract become illegal
   c) When contract is performed by both parties
   d) When law declares it as void

4. Acceptance of lesser performance by promisee is
   a) Void
   b) Invalid
   c) Valid
   d) Not allowed

5. Mr. X borrows sum of Rs. 10,000/- from Mr. Y on promissory note for six months. On the due date Mr. X is unable to pay and makes out another promissory note along with the amount of interest. Existing promissory note is terminated and now how much Mr. X amount is liable to pay to Mr. Y?
   a) It amounts to novation and Mr. X is liable to pay Rs.10000/-
   b) It amounts to novation and Mr. X is liable to pay Rs.10000 + Interest
   c) It amounts to alteration and Mr. X is liable to pay Rs.10000/-
   d) It amounts to alteration and Mr. X is liable to pay Rs.10000 + Interest

6. Remission means
   a) Giving up some rights in favour of promisor
   b) Acceptance of a lesser performance than due in contract
   c) Avoidance of contract by one party
   d) Avoidance of contract by both the parties
7. Attempted performance is equal to actual performance
   a) In case of payment of money
   b) In other cases, except payment of money
   c) In case of supply of goods only
   d) In all above cases

8. Mr. A entered to an agreement with Mr. B for selling 100 tonnes of wheat at specified price to him on 15th March. But, before the due date of delivery the President of Pakistan has passed an Ordinance, debarring the individuals from supplying more than 5 tonnes of wheat. State the legal position of the contract between Mr. A and Mr. B.
   a) The contract between Mr. A and Mr. B comes to an end because its performance has becomes unlawful.
   b) The contract between Mr. A and Mr. B comes to an end because the subject matter of the contract is destroyed.
   c) The contract between Mr. A and Mr. B comes to an end because of the personal incapacity of the party.
   d) The contract between Mr. A and Mr. B comes to an end because certain state of things gets changed.

9. Contract will not be discharged on account of supervening impossibility in case of:
   a) Change in law
   b) Death of promisor in the contract of personal nature
   c) Failure of third party relied upon by the promisor
   d) Non-existence of particular state of thing essential for the performance of a contract

10. Supervening impossibility means
   a) Subsequent impossibility
   b) Initial impossibility
   c) Irrelevant impossibility
   d) Relevant impossibility

11. Abdullah agreed to supply raw material worth Rs.10,000/- to Mukesh on credit on 10th January 2015. The period of credit has not been fixed. Now on 10th January 2020 Abdullah is claiming his amount. After constant denial from Mukesh, Abdullah is planning to file suit for the recovery of his amount. Is the suit maintainable?
   a) Abdullah is legally entitled to recover the amount as it is his legal right
   b) Abdullah is not legally entitled to recover the amount due to the incapacity of Mukesh
   c) Abdullah is not legally entitled to recover the amount because the contract has become time barred
   d) Abdullah is legally entitled to recover the amount because he has given the credit for lawful purpose
12. Which of the following statement is true
   a) Partial impossibility does not invalidate a contract
   b) Impossibilities due to conduct of third party will discharge contract
   c) Commercial impossibility affects validity of a contract
   d) Difficulty in performance is a valid ground of supervening impossibility

13. Hanzhalah hired a room in some hotel of Lahore to witness PSL Final Match on 22nd March but due to the emergency declared by government in the wake of Pandemic Coronavirus, the match was cancelled. Examine the legality of this contract
   a) Hanzhalah is liable to pay the rent to the hotel
   b) Hanzhalah is excused from the obligation of paying rent to the hotel
   c) Hanzhalah is liable to pay the rent along with interest
   d) Hanzhalah is excused from the obligation due to the personal incapacity

14. Mr. Y draws a bill of exchange on Mr. Z for Rs. 10,000/. Mr. Z accepts the bill and returns it back to Mr. Y. Mr. Y who as a drawer makes changes in the amount of that bill and raises it to Rs. 20,000/-. Can Mr. Y claim this amount from Mr. Z?
   a) Yes, he can claim the amount as he is the drawer of the bill.
   b) Yes, he can claim the amount as Mr. Z is liable to him
   c) No, he cannot claim the amount as there was material alteration
   d) No, he cannot claim the amount as there was lapse of time

15. The contract is a mutual exchange of promises between two parties when both the promisor do what they have promised to do, the contract is set to be performed and contract comes to an end. Performance of contract may be of two types
   a) Legal performance and illegal performance
   b) Conditional performance and unconditional performance
   c) Attempted performance and offer of performance
   d) Actual performance and attempted performance

16. Mr. B chartered Mr. A’s ship and agreed to load it with a cargo at Karachi within 45 days. On the arrival of the ship at Karachi, Mr. B was unable to supply cargo. Mr. A did not accept the refusal and continued demanding the cargo. Before the expiry of 45 days war was broken and performance of the contract became impossible. State the legal position.
   a) Contract is not discharged and Mr. A can demand the performance of the contract
   b) Contract is discharged and Mr. A is not entitled to claim compensation
   c) Contract is discharged and Mr. A is entitled to claim compensation
   d) Contract is not discharged and Mr. A cannot demand anything

17. In case of anticipatory breach, an aggrieved party has the following options
   a) He can declare contract as discharged
   b) He can wait till the date of performance
   c) He can claim compensation
   d) Either (a) or (b)
18. Mr. X promise to sell and deliver 500 bales of cotton, on 9th November and Mr. Y promises to pay for goods on 9th December. Afterwards Mr. X and Mr. Y mutually decide that the goods shall be delivered in five equal instalments. Here original contract has been discharged due to ___________.

19. When one person unilaterally surrender his legal right, this amount to releasing a person of certain legal obligations under a contract. In this way the contract is discharged by ___________.

20. Mr. A took a loan from Mr. B amount to Rs. 1 Million payable in June 2018. On March 2018 Mr. A was declared as insolvent by the relevant court of law. After the adjudication he is discharged from his liabilities as now the amount will be paid by ___________.

21. Actual breach of contract occurs when a party to a contract refuses or fails to perform his part of the contract at the time fixed for the performance. If any party has performed a part of the contract and then refuses or fails to perform the remaining part of the contract it is called _______________ of contract during the course of performance.

22. If the aggrieved party treats the contract as operative and waits till the due date for performance, the promisor may take advantage of the discharged by supervening impossibility arising between the date of __________ and the due date of the ______________.
CHAPTER 13: REMEDIES FOR THE BREACH OF CONTRACT

1. The main object of awarding damages is
   a) To compensate monetary losses of aggrieved party
   b) To punish the party responsible for breach of contract
   c) To honour the petition of aggrieved party
   d) To put aggrieved party in a better position

2. In a breach of contract of sale, general rule for measuring damage is
   a) Difference between contract price and market price
   b) Difference between purchase price and selling price
   c) Difference between selling price and market price
   d) Difference between cost price and selling price

3. Breach of contract occurs, when
   a) Promisor does not perform his promise
   b) Promisor refuses to perform his promise
   c) Promisor disabled himself from performing promise
   d) All of the above

4. Nominal damages are granted with a view to
   a) Compensate actual losses of aggrieved party
   b) Recognize right of aggrieved party to claim for damage in case of breach of contract
   c) Compensate nominal loss, suffered by aggrieved party
   d) Record the fault of party making breach of contract

5. In case of liquidated damage provided in contract
   a) Damages for actual loss will be awarded
   b) Damages for actual loss to the maximum of liquidated damage will be awarded
   c) Amount of liquidated damages, as fixed will be awarded
   d) None of these are applicable

6. Mr. B agreed to supply spare parts of machine to Mr. A on 5th September at particular price. Mr. B fails to deliver spare parts on due date. There is a breach of contract and Mr. A filed a suit against Mr. B for the compensation of losses. Mr. A claimed that due to non-availability of spare parts, the machine could not function, so Mr. A claimed (i) depreciation on machine (ii) fixed expenses such as salary and (iii) loss of profit due to non-function of machine. State the legal position.
   a) Mr. A can only claim depreciation on machine
   b) Mr. A can only claim fixed expenses such as salary
   c) Mr. A cannot claim any amount
   d) Mr. A can claim depreciation on machine and fixed expenses only such as salary
7. Order of specific performance compels the party making breach of contract
   a) To pay adequate compensation to an aggrieved party
   b) To perform what he has promised to perform
   c) Not to perform what he has promised to perform
   d) None of the above

8. Compensation granted for indirect and remote losses is known as
   a) Punitive damages
   b) Liquidated damages
   c) Special damages
   d) Nominal damages

9. Mr. A agrees to sell 200 bags of sugar to Mr. B on 11th November at Rs.500/- per bag. Mr. B is to make payment on the delivery of sugar bags. Before the due date the price of sugar has increased to Rs. 600/- per bag. Mr. A refuse to supply sugar to Mr. B. There is a breach of contract Mr. B is
   a) Not entitled to claim any amount
   b) Entitled to claim Rs. 600/- per bag of sugar
   c) Entitled to claim Rs. 100/- per bag of sugar
   d) Not entitled to claim Rs.100/- per bag of sugar

10. Amount of compensation fixed by the parties, keeping in view probable losses which may arise out of breach of contract is known as
    a) Liquidated damages
    b) Ordinary damages
    c) Special damages
    d) Nominal damages

11. Mr. A’s wife brought tin fish from ABC super market. After consuming it the poisoning was caused and she died. Mr. A is entitled to recover from the ABC super market
    a) Expenses for employing nurse during her illness
    b) Medical expenses
    c) Financial loss caused by the death of his wife
    d) All of the above

12. Compensation granted for indirect and remote losses is known as
    a) Punitive damages
    b) Compensatory damages
    c) Special damages
    d) Vindictive damages
13. Mr. A entered into an agreement for constructing house for Mr. B and to give complete possession on 1\textsuperscript{st} January. Mr. B makes an agreement with Mr. C for renting out that house to him from 2\textsuperscript{nd} January. This fact is in the knowledge of Mr. A. The house was badly constructed and collapsed before 1\textsuperscript{st} January. Mr. B is entitled to get compensation for
   a) Cost of reconstructing the house
   b) Loss of rent
   c) Compensation, which Mr. B was to pay Mr. C for not renting out the house
   d) All of the above

14. Mr. Khan, a famous superstar of cricket makes an agreement with some sports goods company for not using the bats except manufactured by that company. On some occasions the company finds him using cricket bats manufactured by some other company. There is a breach of contract on the part of Mr. Khan. The sports goods company may
   a) Claim damages as it is an adequate remedy
   b) Claim damages on the basis of quantum meruit
   c) Not claim an injunction from the court
   d) May claim an injunction from the court

15. Actual losses include
   a) Direct and natural loses arising out of breach
   b) Only direct loses
   c) Only reasonable loses
   d) Usual loses

16. The rule of common law is that where a party sustains loss by reason of \underline{\hspace{2cm}}, he is to be placed in the same situation, with respect to damages as if the contract has been performed.

17. \underline{\hspace{2cm}} are those damages, which will be sanctioned by the court for those losses, which do arise in the natural course from the breach of contract.

18. \underline{\hspace{2cm}} refer to those that may be caused by breach of contract, which the party knew, when they made a contract, to be likely to result from breach of it.

19. The \underline{\hspace{2cm}} is an order issued by the court directing upon the party making breach of contract and instructing him to perform what he has undertaken to perform.

20. \underline{\hspace{2cm}} is a preventive relief, which is provided to an aggrieved party where damages would not be an adequate relief. It is the negative form of order of specific performance.
CHAPTER 14: INDEMNITY & GUARANTEE

1. The contract of guarantee is a contract in which a person performs the promise or discharge the liability of
   a) The contractor
   b) Stranger
   c) Third party
   d) None of the above

2. A continuing guarantee may at any time be revoked by the surety as to future transaction by giving notice to
   a) The creditor
   b) Principal debtor
   c) Without giving any notice to any person
   d) None of the above

3. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called
   a) Guarantee contract
   b) Bailment contract
   c) Indemnity contract
   d) Quasi contract

4. On 15th March, 2019 Mr. X promises to compensate Mr. Y for any loss that he may suffer by filing a suit against Mr. Z. The court orders Mr. Y to pay Mr. Z damages of Rs. 500,000 on 30th June, 2019. Mr. Y is now claiming the amount from Mr. X immediately even though he himself has paid nothing. State the legal position
   a) Mr. Y cannot claim the amount of loss from Mr. X
   b) Mr. Y can claim the amount of loss from Mr. X
   c) Mr. Z can claim the amount of loss from Mr. X
   d) Mr. Y & Mr. Z can claim the amount of loss from Mr. X

5. Mr. X & Mr. Y go into a shop. Mr. X says to the shopkeeper, “Let Mr. Y have the goods. I will see you are paid.” State the nature of contract between Mr. X & Mr. Y.
   a) The contract between the Mr. X & Mr. Y is a voidable contract.
   b) The contract between the Mr. X & Mr. Y is a bailment contract.
   c) The contract between the Mr. X & Mr. Y is an indemnity contract.
   d) The contract between the Mr. X & Mr. Y is a guarantee contract

6. A contract of guarantee is a contract to perform the promise, or discharge the liability of a third person in case of his default when a guarantee extends to a series of transactions it is called
   a) Continuing guarantee
   b) Fidelity guarantee
c) Special guarantee

d) Particular guarantee

7. Mr. X gave his godown to Mr. Y on a lease for 10 years on a lease rent of Rs. 100,000 per annum. Mr. Z guaranteed that Mr. Y would fulfill his obligation and in case of his failure to fulfill his obligation, Mr. Z would be responsible. Is this a contract of specific guarantee or continuing guarantee?

a) This is not a contract of specific guarantee as it extends to 10 years.
b) This is a contract of continuing guarantee as it extends to 10 years.
c) This is a contract of specific guarantee because the contract is an indivisible transaction.
d) This is a contract of continuing guarantee because the contract is a divisible transaction.

8. In the absence of any contract to the contrary, the death of surety operates as a revocation of a continuing guarantee as to the future transaction taking place after the death of a surety. After the death of surety, who is liable to pay for the past transactions of the surety?

a) The co-surety remains liable for the past transactions.
b) The legal representatives remain liable for the past transactions.
c) No one would be held liable for the past transactions.
d) The surety's estate remains liable for the past transactions.

9. Mr. A is indebted to Mr. B, and Mr. C is the surety for the debt. Mr. B demands payment from Mr. C and on his refusal, sues him for the amount. Mr. C defends the suit, having reasonable grounds for doing so, but is compelled to pay the amount by the court. What amount can Mr. C recover from Mr. A?

a) Mr. C cannot recover from Mr. A the amount paid by him.
b) Mr. C can recover from Mr. A the amount paid by him for costs.
c) Mr. C can recover from Mr. A the amount paid by him for costs along with the principal debt.
d) Mr. C cannot recover from Mr. A the amount paid by him for costs along with the principal debt.

10. Mr. Abdullah contracts to indemnify Mr. Bilal against the consequences of proceedings which Mr. Casim may take against Mr. Bilal in respect of a certain sum of money. Mr. Casim obtains judgment against Mr. Bilal for the amount. Without paying any portion of the decree amount, Mr. Bilal sues Mr. Abdullah for its recovery. Will Mr. Bilal succeed?

a) No, Mr. Bilal will not succeed because Mr. Abdullah has paid nothing.
b) Yes, Mr. Bilal will succeed because Mr. Abdullah has paid the amount.
c) Yes, Mr. Bilal will succeed because the liability becomes absolute.
d) No, Mr. Bilal will not succeed because the liability is conditional.

11. Mr. B owes to Mr. C a debt guaranteed by Mr. A. The debt becomes payable. Mr. C does not sue Mr. B for a year after the debt has become payable. Mr. B then becomes insolvent. Thereafter, Mr. C sues Mr. A for the debt. Will Mr. C succeed?

a) Mr. C may not succeed because he is filing a suit after one year.
b) Mr. C must not succeed because he is filing a suit after one year.
c) Mr. C must succeed because the surety is not discharged.
d) Mr. C must not succeed because the surety is discharged.
12. Any variance made without the surety's consent, in the terms of the contract between principal debtor and the creditor, discharges the surety as to transactions
   a) Subsequent to the variance.
   b) Prior to the variance.
   c) From the formation of the contract.
   d) None of the above.

13. Mr. T advances to Mr. D Rs. 5,000/- on the guarantee of Mr. L. The loan carries interest at 10% per annum. Mr. D becomes financially embarrassed subsequently. Mr. T took the advantage of the situation discussed with Mr. D and increased the interest to 16% per annum and does not sue Mr. D for one year after the loan becomes due. Mr. D becomes insolvent. Can Mr. T sue Mr. L?
   a) Mr. T can sue Mr. L because a surety is not discharged.
   b) Mr. T cannot sue Mr. L because a surety is discharged.
   c) Mr. T can sue Mr. L because Mr. L is liable as a surety.
   d) Mr. T cannot sue Mr. L because the guarantee contract is invalid.

14. Mr. C advances to Mr. B his tenant, Rs. 2,000 on the guarantee of Mr. A. Mr. C has also a further security for Rs. 2,000 by a mortgage of Mr. B's furniture. Mr. C cancels the mortgage. Mr. B becomes insolvent and Mr. C sues Mr. A on his guarantee. State the legal position.
   a) Mr. A is completely discharged from the liability.
   b) Mr. A is not completely discharged from the liability.
   c) Mr. A is discharged from the liability to the amount of the value of the furniture.
   d) Mr. A is not discharged from the liability to the amount of the value of the furniture.

15. A surety is not discharged from his liability, if
   a) Terms of contract are varied without his consent.
   b) The creditor gives time to the principal debtor without his consent.
   c) The creditor releases the other co-surety
   d) The creditor releases the principal debtor.

16. Liability of surety is co-extensive with that of liability of the ____________.

17. After making a payment and discharging the liability of the principal debtor, the surety is clothed with all the rights of the creditor, which he can himself exercise against the principal debtor. This right of surety is known as ____________.

18. Where a contract to give time to principal debtor is made by the creditor with a ____________, and not with the principal debtor, the surety is not discharged.

19. If co-sureties have agreed to guarantee different sums then co-surety are liable to contribute equally, subject to the ____________ guaranteed by each one.

20. The deceased surety’s estate will not be liable for any transaction entered into between the creditor and the principal debtor after the death of surety, even if the ____________ has no notice of the death.
CHAPTER 15: BAILMENT AND PLEDGE

1. The bailment of goods as security for payments of debt or performance of a promise is called
   a) Mortgage
   b) Special bailment
   c) Sub bailment
   d) Pledge

2. Mrs. X delivered her old gold set to her cousin, Mr. Y, a goldsmith for the purpose of making new one out of it. This is a contract of bailment because
   a) There is a contract between the two
   b) Gold set was delivered to the goldsmith
   c) Ownership has not been transferred
   d) All of the above

3. A bailment involves delivery of goods by bailor to bailee. The delivery must be voluntary. Delivery of goods may be made by doing something which has the effect of putting the goods in the possession of the intended bailee or his authorized agent. This kind of delivery is known as
   a) Actual delivery
   b) Gratuitous delivery
   c) Non-gratuitous delivery
   d) Constructive delivery

4. An insurance company places a damaged insured car of Mr. A in possession of Mr. R, a repairer. What is the relationship between Mr. A, Mr. R and the insurance company?
   a) Mr. A is the bailee, Mr. R is the sub-bailee and the insurance company is the bailor
   b) Mr. A is the bailor, Mr. R is the sub-bailee and the insurance company is the bailee
   c) Mr. A is the bailee, Mr. R is the bailor and the insurance company is the sub-bailee
   d) Mr. A is the sub-bailee, Mr. R is the bailor and the insurance company is the bailor

5. Pawnee is the person to whom the goods are delivered as security for payment of a debt or performance of a promise. He may retain the goods pledged for
   a) Payment of a debt
   b) For the interest of the debt
   c) All necessary expenses for the preservation of the goods
   d) All of the above

6. Mr. A pledged gold with Mr. B against loan of Rs. 500,000/- at a markup of 15% per annum. Mr. B, having apprehension about the safety of the gold, not only insures the gold but also buys a strong safe at a cost of Rs. 25,000/-. At the time of repayment, Mr. B claimed the cost of insurance and safe in addition to the principal sum due. State the legal position.
a) Mr. B can claim from Mr. A the principal amount due and interest
b) Mr. B can claim from Mr. A the principal amount due, insurance and interest
c) Mr. B can claim from Mr. A the principal amount due, cost of safe and interest
d) Mr. B can claim from Mr. A the principal amount due, cost of safe, insurance and interest

7. A gratuitous bailment is one which is
   a) Supported by consideration
   b) Not supported by consideration
   c) Not enforceable by law
   d) Void

8. A sub-bailee is the person to whom the actual possession of goods is transferred by someone who himself is not the owner of goods but has a present right to possession of them. Where the bailee sub-bails the goods with the authority of the owner, the relationship between the owner and the sub-bailee is that of
   a) Bailor and bailee
   b) Bailor and sub-bailee
   c) Bailee and pawnee
   d) Bailee and pawnor

9. On 1st January 2019, Mr. X borrows Rs. 100,000/- from Mr. Y, on the security of shares. On 1st June 2019, Mr. X borrows another sum of Rs. 50,000/- Mr. X repays the first debt in full. Can Mr. Y retain the shares against his claim for the repayment of the second loan?
   a) Mr. Y cannot retain the shares because the first debt is satisfied
   b) Mr. Y can retain the shares against his claim because the first debt is satisfied
   c) Mr. Y can retain the shares against his claim for the repayment of the second loan
   d) Mr. Y cannot retain the shares for the repayment of the second loan

10. According to the general rule, only the true owner can pledge the goods but in some cases even a non-owner can make a valid pledge. Choose the incorrect one from the following:
    a) Pledge by person in possession under voidable contract
    b) Pledge by seller in possession after sale
    c) Pledge by bailee in possession of goods
    d) Pledge by co-owner in possession

11. Mr. Karim, a doctor, by the exercise of undue influence persuades Mr. Abdul, his patient to sell a valuable gold watch to him for Rs. 5,000/-. Mr. Karim obtained the possession of the watch and pledges it with Mr. Khan, who does not know about the defective title of Mr. Karim. Is this a valid pledge?
    a) This is a valid pledge because Mr. Karim is in the possession of the watch after sale
    b) This is a valid pledge because Mr. Karim is in the possession of the watch before sale
c) This is a valid pledge because Mr. Karim is in the possession of the watch under a voidable contract

d) This is a valid pledge because Mr. Karim is in the possession of the watch under a valid contract

12. A bailment is usually created by agreement between the bailor and the bailee, it may be gratuitous i.e. without consideration or non-gratuitous i.e. with consideration. The various types of bailment on the basis of benefit are listed below. Choose the incorrect one.

   a) Bailment for the exclusive benefit of the bailor
   b) Bailment for the exclusive benefit of the bailee
   c) Bailment for the exclusive benefit of the sub-bailee
   d) Bailment for the mutual benefit of the bailor and bailee

13. XYZ Bank granted a loan of Rs. 10 Million to ABC limited against the pledge of shares of a listed company. ABC limited defaulted on the repayment of the loan. The market value of the shares at the time of default was Rs. 9 Million. What is the remedy available to XYZ Bank?

   a) XYZ Bank can only file a suit for the recovery of the defaulted amount
   b) XYZ Bank can only file a suit for the recovery of the remaining amount
   c) XYZ Bank cannot file a suit for the recovery of the defaulted amount
   d) XYZ Bank can file a suit for the recovery of the defaulted and remaining amount

14. The pawnee of goods from mercantile agent, who has no authority from the principal to pledge, gets a good title to the goods if the following conditions are satisfied. Choose the incorrect one.

   a) The agent is in possession of the goods with the consent of the owner
   b) The agent pledges the goods while acting in the ordinary course of the business
   c) The pawnor acts in good faith
   d) The pawnee acts in good faith

15. Mr. Kapoor, a famous producer of a film borrowed Rs. 100,000/- from a film distributor and agreed to deliver the final prints of the films when ready. Is this a valid agreement of pledge?

   a) This is a valid pledge because Mr. Kapoor agreed to deliver the final prints when ready
   b) This is not a valid pledge because Mr. Kapoor has not transferred the ownership
   c) This is a valid pledge because Mr. Kapoor has made a written contract of pledge
   d) This is not a valid pledge because Mr. Kapoor has not transferred the possession

16. The person who delivers the goods as security for the payment of a debt and performance of a promise is called a pawnor or a pledger. It is the duty of the pawnor, to pay extraordinary expenses to the pawnee which he has incurred for the _____________ of the goods.

17. Any kind of movable property i.e. goods, documents or valuables may be pledged. But ________ is necessary to complete a pledge.
18. In bailment, there must be a delivery of goods. It means that the possession of goods must be transferred. Delivery may be ____________ or ______________.

19. The general rule is that it is the ______________ who can ordinarily create a valid pledge.

20. The ______________ may sell the goods pledged after giving __________ a reasonable notice of the sale.
CHAPTER 16: AGENCY

1. A Minor can
   a) Be an agent
   b) Be a principal
   c) Both
   d) None

2. An agent has authority in emergency to do all such acts as would be done by a person of ordinary prudence in his own case under similar circumstances, for the purpose of
   a) Securing maximum benefit for himself
   b) Making secret profit
   c) Protecting his principal from loss
   d) Protecting third party from loss

3. The agent acts on behalf of the principal, by negotiating with the third party. Under normal circumstance, there is no legal agreement between
   a) The agent and the principal
   b) The principal and the third party
   c) The agent and the third party
   d) The agent and the sub-agent

4. Where a sub-agent is properly appointed
   a) The principal is bound by the acts of the sub-agent
   b) The agent is responsible to the principal for the acts of the sub-agent
   c) The sub agent is responsible for his acts to the agent
   d) All of the above

5. The principal may wish to give the agent the power to execute deeds. In these cases, the agent must be appointed by a deed. When an agent is appointed by deed, he is given
   a) A power of attorney.
   b) A power of contract
   c) A power of deed
   d) A power of negotiation

6. An agency relationship may be created retrospectively. This may happen when a person who does not actually have actual authority as an agent negotiates with a third party, claiming to be an agent of a named principal. This is
   a) Agency by express appointment
   b) Agency by ratification
   c) Agency by estoppel
   d) Agency by necessity
7. Mr. B rents out his house to Mr. A and the contract is terminable on three months’ notice. Mr. C, without Mr. B’s authority, gives notice of termination to Mr. A. Mr. B ratifies the notice and files a suit against Mr. A. State the legal position.
   a) The notice given by Mr. C can be ratified
   b) The notice given by Mr. C cannot be ratified
   c) The notice given by Mr. C is binding
   d) The notice given by Mr. C is valid

8. For a valid ratification the principal must have contractual capacity
   a) At the time of contract
   b) At the time of ratification
   c) Both at the time of contract and at the time of ratification
   d) At any time

9. If there is no agreement regarding remuneration, an agent is
   a) Not entitled to any remuneration
   b) Entitled to a reasonable remuneration
   c) Entitled to remuneration which he thinks is reasonable
   d) Entitled to remuneration which the principal think is reasonable

10. When an agent appoints a sub-agent without having authority to do so
   a) The agent is responsible for the acts of the sub-agent
   b) The agent is not responsible for the acts of the sub-agent
   c) The Principal is responsible for the acts of the sub-agent
   d) Both the principal and the agent are responsible for the acts of the sub-agent

11. Mr. X instructed Mr. Y, a transporter, to send the consignment of tomatoes to Karachi. After covering the half distance, Mr. Y found that tomatoes will not bear the journey to Karachi without spoiling and sold at half the market price for good tomatoes. This is the case of
   a) Agency by estoppel
   b) Agency by necessity
   c) Agency by ratification
   d) Agency by express agreement

12. Mr. X, the principal, instructed Mr. Y his agent to put goods in Mr. Z’s warehouse. Mr. Y puts half of the goods in Mr. Z’s warehouse and the balance in another equally safe warehouse. All the goods were destroyed by fire without any negligence on part of Mr. Y. Is Mr. Y liable to Mr. X?
   a) Mr. Y is not liable for any loss of goods.
   b) Mr. Y is liable for the loss of the goods put in another warehouse
   c) Mr. Y. is liable for whole of the goods
   d) Mr. Y is not liable for the goods put in another warehouse
13. An agent has a right to retain his principal’s money in his hand for all money due to himself in respect of remuneration as may be payable to him for acting as agent, advances made or expenses properly incurred by him in conducting the business of agency. This right of agent is known as
   a) Right of lien
   b) Right of retainer
   c) Right of Compensation
   d) Right to claim benefits

14. A contract of agency can be terminated at any time by mutual agreement of principal and agent. The termination of the authority of an agent takes effect as regards third party
   a) From the time when it becomes known to the principal
   b) From the time when it becomes known to third party
   c) From the time when it becomes known to sub-agent
   d) From the time when it becomes known to his legal representative

15. A entrusts his property to B and it became necessary for B to incur some expenses for preserving it. B is, therefore an agent
   a) By precedent authority
   b) By estoppel
   c) By holding out
   d) By necessity

16. An agent has a ________ on goods, papers and other properties of the principal received by him, until the amount due to himself has been paid or accounted for, to him.

17. Ostensible authority, also called apparent authority, is an aspect of ________________.

18. A ________________ is one who in consideration of an extra commission, guarantees his principal that the persons with whom he enters into contract on behalf of the principal shall perform their obligation.

19. Any person who is of the age of majority and who is of sound mind can become _________________.

20. When an agent has been employed to do a ________________, the agent is not entitled to indemnify himself against the consequences of that act and is personally liable for it.
CHAPTER 17: PARTNERSHIP ACT

1. Relation of partnership
   a) Arises by legal status of the persons.
   b) Arises out of business dealings
   c) Arises out of a contract between persons
   d) Arises out of legal implications

2. Partner is
   a) Only an agent of the firm
   b) Only principal to other partners
   c) An agent as well as principal
   d) None of these

3. Mr. X, Mr. Y and Mr. Z are partners in a firm. By an agreement, they decided that no partner would have authority to sell goods of the firm above the value of Rs. 50,000/- without the consent of other partners. Owing to the sudden slump in the market, the prices crashed. One partner sold all the stock worth Rs. 500,000/- without consulting other partners. Is the partner liable for this breach of partnership agreement?
   a) The partner is liable as he is in breach of agreement
   b) The partner is liable because he is acting without the consent of other partners
   c) The partner is not liable as he is acting in order to save the firm from loss
   d) The partner is not liable as he has express authority to do so

4. Partnership firm has
   a) Separate legal entity from partners, if the firm is registered
   b) No separate legal entity
   c) Separate legal entity
   d) Separate legal entity distinct from the partner

5. Mr. A, a partner in the firm, buys shares of a company in his own name. Without the authority of the other partners, but with the money and on account of the firm. State the legal position.
   a) The shares are the property of Mr. A
   b) The shares are the property of active partners of the firm
   c) The shares are the property of the legal representatives of Mr. A
   d) The shares are the property of the partnership firm

6. For the debts of the firm, partners are liable
   a) Jointly
   b) Jointly and severally
   c) Severally
   d) Individually
Questions

7. A minor
   a) Can be a partner in the firm
   b) Can be held personally liable when he is admitted in the partnership
   c) Cannot be admitted to the benefits of the firm with the consent of all partners
   d) Can be admitted to the benefits of the firm with the consent of all partners.

8. A minor admitted to the benefits of the firm, towards third party
   a) He is personally liable
   b) He is liable for half of the loss
   c) He is liable only up to his share in the firm
   d) He has no liability at all

9. The property of the firm must be used
   a) For the exclusive benefit of the active partner
   b) For personal benefits of the all the partner
   c) For the purpose of business of the firm
   d) A & B

10. Mr. A, Mr. B and Mr. C are partners in an instalment sales business. Mr. A asked one of the customers to deposit a security worth Rs. 100,000/- in order to purchase goods on instalments. Subsequently, Mr. A misappropriated the security and absconded. Who will be liable for such loss?
    a) Mr. A and Mr. B will be liable to compensate the loss
    b) No one is liable to compensate the loss
    c) Mr. A is liable only to compensate the loss
    d) All the partners are liable to compensate the loss

11. Restrictions on the partner by partnership deed is binding on third party provided
    a) Such restrictions are valid
    b) Are according to the provisions of the partnership Act
    c) Such restrictions have been imposed by mutual agreement.
    d) Such restrictions are in the knowledge of third party

12. Mr. A tells Mr. B (Supplier) within the hearing of Mr. C (Partner) that he (Mr. A) is a partner in the partnership firm of Mr. C. Mr. C does not object to this statement of Mr. A. Later Mr. B supplies certain goods to Mr. A who pretends to act as partner with Mr. C. State the legal position
    a) Mr. C will not be held liable to pay the price
    b) Mr. A will be held liable personally to pay the price
    c) Mr. B cannot claim the price from Mr. C
    d) Mr. C will be liable to pay the price.
13. On attaining majority, the minor partner has to decide within six months whether he shall continue in the firm or leave it. Where such minor elects to become a partner, he will be personally liable
   a) From the date when he attained majority
   b) From the date when he gives public notice
   c) Since the date of admission to the benefits of the firm
   d) After the lapse of six months

14. Partner giving advances to the firm is entitled
   a) Not to claim any such interest on that amount
   b) To claim interest @ 6% or as agreed upon
   c) To claim interest @ 12% per annum
   d) To claim interest as decided by the third party

15. Under the implied authority the partner may not
   a) Employ servants for the business of the firm
   b) Pledge movable property of the firm
   c) Buy movable property of the firm
   d) Transfer immovable property of the firm

16. A __________________ is not required to give public notice of his retirement and he is not liable for any act done by the firm after his retirement.

17. The restrictions imposed by law are _________________ and is applicable against the whole world whether a particular person dealing with the firm has knowledge of it or not.

18. Where by the wrongful act or omission of a partner acting in the ordinary course of the business of a firm, loss or injury is caused to any third party or any penalty is incurred the _________ is liable to the same extent as the ______________.

19. After a partner’s death if the business of the firm is continued in the old firm’s name the continued use of that name or of the deceased partner’s will not itself makes his _________________ liable for any act of the firm done after his death.

20. On attaining majority, the minor partner has to decide within ________________ whether he shall continue in the firm or leave it.
CHAPTER 18: NEGOTIABLE INSTRUMENTS ACT

1. A promissory note is a document in writing containing
   a) A conditional promise to pay
   b) A conditional order to pay
   c) An unconditional promise to pay
   d) An unconditional order to pay

2. If a document contains an order directing a person to pay, it is
   a) A promissory note
   b) Not a promissory note
   c) A bill of exchange
   d) A conditional promissory note

3. A promise to pay is conditional if
   a) It depends upon certain event i.e. death
   b) The promise is to pay on X’s death if he leaves the maker enough to pay
   c) It is to pay on demand
   d) It is to pay after a certain period

4. In promissory note, there are
   a) Two parties
   b) Three parties
   c) Four parties
   d) Five parties

5. Which instrument is immediately payable on demand?
   a) Cheque
   b) Promissory Note
   c) Bill of exchange
   d) All of these

6. A banker may (as compared to when a banker must) dishonor a customer’s cheque when
   a) The customer countermands payment
   b) The customer becomes insolvent
   c) A garnishee order received by it
   d) The banker does not have sufficient funds to the credit of the customer
7. A holder in due course gets an instrument
   a) Subject to defects
   b) Free from defects
   c) Subject to certain rights
   d) Which cannot be further negotiated

8. Addition of the words “non-negotiable” to the crossing
   a) Restricts transferability of cheque
   b) Makes no difference
   c) Does not restrict further transferability of cheque
   d) Makes the cheque invalid

9. A promissory note, cheque or bill of exchange is an inland instrument if it is
   a) Drawn in Pakistan and payable outside
   b) Drawn upon any person resident in Pakistan
   c) Drawn and payable in Pakistan
   d) Drawn and payable outside Pakistan

10. Where a cheque bears across its face the name of the banker, the crossing is
    a) General crossing
    b) Special crossing
    c) Not-negotiable crossing
    d) Restrictive crossing

11. A bill of exchange, other than a cheque, cannot be
    a) Endorsed
    b) Crossed
    c) Accepted
    d) Negotiated

12. Where a cheque bears across its face the words “A/c Payee” or “A/c Payee Only”, the crossing is
    a) Special Crossing
    b) Not-negotiable crossing
    c) General Crossing
    d) Restrictive Crossing

13. Mr. A sign the instruments in the following terms
    a) “I promise to pay Mr. B or order Rs. 500/-“
    b) “I acknowledged myself to be indebted to Mr. B in Rs. 1000/- to be paid on demand, for value received”.

---

Objective Based Practice Questions 54 The Institute of Chartered Accountants of Pakistan
c) Mr. A promise to pay Mr. B sum of Rs. 500/- on telephone.
d) “I am liable to pay to Mr. B Rs. 500/-”

Identify the correct one:
   a) I & II
   b) I & III
   c) III & IV
   d) II & IV

14. Identify the following type of crossing:
   a) General crossing
   b) Ordinary crossing
   c) Particular crossing
   d) Special crossing

15. Identify the following type of crossing:
   a) Negotiable crossing
   b) Non-negotiable crossing
   c) Special crossing
   d) General crossing

16. In a Negotiable instrument, negotiable means ___________ and instrument means a ________________ by which a right is created in favour of some person.
17. The term ______________ may be defined as signing one’s name on the negotiable instrument for the purpose of transferring it to another person.

18. Endorsement must be on instrument itself, if no space is left on the back of the instrument, further endorsement are signed on a slip of paper attached to the instrument called __________.

19. Cheque is a bill of exchange drawn on a ____________ and not expressed to be payable otherwise than on ____________.

20. The ____________ has no right of action against the banker for refusing to pay the cheque because there is no contractual relationship between him and banker.
CHAPTER 19: COMPANY

1. Which type of business structure is created by a process of incorporation
   a) Sole Proprietor
   b) Partnership
   c) Company
   d) None of the above

2. Body corporate or corporation includes
   a) A company incorporated under Companies Act, 2017 or company law
   b) A company incorporated outside Pakistan
   c) A body corporate declared as body corporate under relevant statute
   d) All of the above

3. “Men may come and men may go but the company exist”. This explain which characteristics of the company as per the Companies Act, 2017.
   a) Separate legal entity
   b) Perpetual Succession
   c) Perpetual Liability
   d) Capacity to Sue

4. What is separate legal personality
   a) That the members in general meeting are regarded by law as a person.
   b) That the board of directors is regarded by law as a person
   c) That the company as an entity is regarded by law as a person
   d) That the managing director of the company is regarded by law as a person.

5. The effects of separate legal personality are
   a) Limited liability of the owners of the business
   b) Separation of ownership form control
   c) Transfer of ownership and perpetual succession.
   d) All of the above

6. The concept of limited liability applies to
   a) The directors of the company
   b) To the creditors of the company
   c) To the owners (Shareholders) of the company
   d) To the Bankers of the company
7. If a limited company is unable to pay its debts, it may be forced into liquidations. The assets of the company will then be used to pay some of its unpaid liabilities and
   a) The directors will be required to pay personally remaining unpaid debts of the company
   b) The shareholders will be required to pay personally remaining unpaid debts of the company
   c) The debenture holders will be required to pay personally remaining unpaid debts of the company
   d) The shareholders will not be required to pay personally remaining unpaid debts of the company

8. Limited liability applies to
   a) All companies
   b) All public companies
   c) All limited companies
   d) All unlimited companies

9. The directors and other officers of the company act on behalf of the company, and provided that they act within their powers,
   a) They will be personally liable for the debts of the company
   b) They will not be personally liable for the debts of the company
   c) They along with the shareholders will be personally liable for the debts of the company
   d) They along with the other officers of the company will be personally liable for the debts of the company

10. Company law includes
    a) The Companies Act of 1913
    b) The Companies Act of 2017
    c) The Companies Ordinance of 1984
    d) All of the above

11. Public listed company means
    a) Such form of public company whose securities are listed on an exchange
    b) Such form of private company whose securities are listed on an exchange
    c) Such form of public company whose name of the members are listed on an exchange
    d) Such form of public company whose name of the directors are listed on an exchange

12. Private company other than single member company can be registered by
    a) At least 2 members and it restricts the maximum number of members to fifty (50)
    b) At least 1 member and it restricts the maximum numbers of members to twenty-five (25)
    c) At least 5 members and it restricts the maximum number of members to fifty (50)
    d) At least 1 member and it restricts the maximum numbers of members to fifty (50)
13. A company or body corporate which exercises or controls more than one-half of the voting securities of any other company or controls the composition of the board of such other company is known as
   a) Subsidiary company
   b) Co-operative company
   c) Holding company
   d) Listed company

14. License to association not for profit shall be granted by commission on the fulfilment of certain conditions. Choose the incorrect one.
   a) It shall apply its profit, if any in promoting its objects
   b) They can pay profits to its members out of it.
   c) The payments of any dividend to its members is prohibited
   d) They will work only for useful objects of the society

15. SECP has been vested with lot of powers under the Companies Act, 2017 and it has got powers to regulate the affairs of
   a) All the companies and insurance company
   b) Banking companies and modarabas
   c) Non-banking finance companies
   d) All of the above

16. A company owns its own assets. Although members (ordinary shareholders) own the company, they do not own the assets of the company. The shareholders are simply owners of the ________ in the company.

17. A company is an___________ person; whereas individual people are __________ persons.

18. With a company limited by guarantee, its owners may or may not have shares. Their liability to the company is limited to _________ that the member guarantees to contribute in the event that the company goes into ____________.

19. Some companies have been in existence for many years, during which time its ownership has changed many times. The company has continued, even when its owners have changed. This phenomenon is called ______________ or ________________.

20. ______________ is a form of public company whose securities are listed on an exchange and they are trade as per regulations of the securities exchange.
CHAPTER 20: INCORPORATION OF COMPANY

1. Registration of company is actually the registration of its constitution i.e.
   a) Articles of association
   b) Memorandum of association
   c) Certificate of incorporation
   d) Prospectus

2. Under the Companies Act, 2017 in which document would you find the principal line of business clause?
   a) Statutory declarations
   b) Articles of association
   c) Memorandum of association
   d) Prospectus

3. A person may make an application in specified form and manner with a specified fee to the registrar for reservation of any name. If the application is refused by registrar, aggrieved person may prefer an appeal to Commission with in
   a) 60 days
   b) 30 days
   c) 15 days
   d) 90 days

4. Companies Act, 2017 allows the alteration of various clauses of the memorandum of association of the company however there is difference as to the procedure or requirement of law. Which clause cannot be altered in the lifetime of the company?
   a) Name clause
   b) Subscription clause
   c) Liability clause
   d) Registered office clause

5. A company may alter the provisions of its memorandum so as to change the place of its registered office but which of the following condition must not be fulfilled for the alteration in the registered office clause of the company?
   a) Company shall pass a special resolution.
   b) Company shall apply to the commission for obtaining its approval.
   c) Company shall inform the registrar within 15 days of the actual shifting of the registered office.
   d) Physical record of the company shall be transferred to the other registrar in each and every case.
6. For registered office clause the province or the part of Pakistan not forming part of a province shall be mentioned. e.g. if the company proposes to have a registered office in Islamabad, they will write in their memorandum that
   a) The registered office will be situated in province of Sindh
   b) The registered office will be situated in province of Punjab
   c) The registered office will be situated in Islamabad
   d) None of the above

7. The first clause of the memorandum is the name clause of the company which contains the name of the company with the addition of appropriate parenthesis. Choose the incorrect parenthesis
   a) Abdullah (Private) Limited is a private company
   b) Rahim (Guarantee) Limited is a guarantee limited company
   c) The Lawyer (PLC) is a public limited company
   d) Khan (SMC-Private) Limited is a single member company

8. Registration of memorandum and articles means the registration of the company. The registrar after registering the company, shall issue a certificate of incorporation, which shall state.
   a) CNIC number of the directors
   b) Date of birth of CEO
   c) Date of incorporation
   d) Address of the directors

9. Every company shall supply within a period of 14 days, a copy of the memorandum and articles of the company, upon the request and payment of a prescribed amount, to its
   a) Creditor
   b) Auditor
   c) Director
   d) Member

10. For obtaining the certificate of commencement of business a public company has to meet certain requirements. Choose the incorrect one from following
    a) The company should have allotted shares against cash equal to the amount of minimum subscription
    b) The directors should have paid in cash to the company full amount on each of the shares taken or contracted to be taken
    c) The members should have paid in cash to the company full amount on each of the shares taken or contracted to be taken
    d) No money is or may become liable to be repaid to applicants for any shares

11. Before being permitted to trade, a public company must have:
    a) Obtained a certificate of incorporation only
    b) Been listed on the securities exchange
    c) Issued a prospectus
    d) Obtained a commencement of business certificate and certificate of incorporation
12. What type of resolution is required to change company’s name?
   a) Special resolution
   b) Ordinary resolution
   c) Ordinary resolution with 14 days’ notice
   d) Special resolution with 14 days’ notice

13. In relation to a company’s articles of association, which of the following is incorrect?
   a) The articles of association set down the internal regulations of a company
   b) Promoters may or may not submit their own form of articles when submitting the forms necessary to form a company limited by shares.
   c) The articles of association form a contract between the members and the company and the members among themselves.
   d) Articles of association may be changed by ordinary resolution.

14. If a company changes its name, then former name is required to be mentioned along with the new name for a period of
   a) 90 days from the date of issue of the new certificate of incorporation.
   b) 120 days from the date of issue of the new certificate of incorporation.
   c) One year from the date of issue of the new certificate of incorporation.
   d) None of the above is correct

15. A company has been incorporated with a name in contravention of the relevant provisions of the Companies Act, 2017. Now the directors have received an order from the Registrar to rectify the name after providing an opportunity of being heard. The name is required to be rectified/change within a period of
   a) 15 days
   b) 30 days
   c) 120 days
   d) None of the above is correct

16. If alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least ________ of the members or of the class of members affected by such alteration, vote for such alteration.

17. Any contract made by a company before the date at which it is entitled to commence business shall be ___________ only, and shall not be binding on the company.

18. ________________ of the memorandum of association contains the amount of share capital with which the company proposes to be registered.

19. The _______ and _____________ of every (now it is mandatory for unlimited companies as well refer section 22) company shall be displayed outside companies every office or place of business in a conspicuous position.
20. Whatever name is proposed, the final authority to decide whether or not a name is in line with the provisions of the Companies Act, 2017 lies with the _____________.

CHAPTER 21: SHARE CAPITAL – TYPES & VARIATIONS

1. In a company limited by shares, the share capital represents capital introduced into the company by the company's
   a) Directors
   b) Guarantors
   c) Auditors
   d) Members

2. Issuance of shares is the first step of offering shares by the company, then people or promoters pay for the shares this is termed as
   a) Subscription of shares
   b) Transfer of shares
   c) Payment of shares
   d) Selling of shares

3. The issued share capital is the nominal value of the shares that have been issued to shareholders. The issued share capital
   a) May be more than the authorized share capital
   b) Must be more than the authorized share capital
   c) May be less than the authorized share capital
   d) Must be equal to the authorized share capital

4. In Pakistan, all companies limited by shares are required to have an authorized share capital and the amount of the authorized share capital can be increased but
   a) Only with the approval of the directors
   b) Only with the approval of the shareholders
   c) Only with the approval of the registrar
   d) Only with the approval of the creditors

5. When the shares are issued, the shareholders must
   a) Give their consent in written form
   b) Appoint two persons as their proxy.
   c) Pay for the shares in full
   d) Apply for special privileges

6. If the company goes into liquidation with unpaid debts, the shareholders will
   a) Be liable personally to contribute in the company's debts
   b) Not be required to contribute in the company's debts
   c) Be liable to contribute 50% of the unpaid debts
   d) Be liable to contribute 75% of the unpaid debts
7. Ordinary shares are also called
   a) Equity shares
   b) Bonus shares
   c) Founders shares
   d) deferred Shares

8. The ordinary shareholders are entitled to vote at general meetings of the company. Normally all ordinary shareholders have
   a) Ten votes per share
   b) One vote per ten shares
   c) One vote per share
   d) As much vote as they wish

9. A preference share normally carries as prior right (ahead of ordinary shares) to
   a) Receive a salary which is normally a fixed amount each year
   b) Receive a repayment of capital in the event of winding up
   c) Vote in the general meeting
   d) None of the above

10. What type of resolution is required to alter the capital clause of memorandum of association
    a) Ordinary resolution
    b) Special resolution
    c) Ordinary resolution of 30 days’ notice
    d) Special resolution of 30 days’ notice

11. After the alteration in capital clause of MOA, the company is required to file the resolution and the related documents i.e. altered copy of the MOA with the registrar within
    a) 15 days
    b) 30 days
    c) 60 days
    d) 90 days

12. If the variation affects the substantive rights of any particular class of shareholders, it shall not be deemed to have been carried out unless
    a) Two third majority of that particular class agree to the alterations.
    b) Fiftyone percent majority of that particular class agree to the alterations.
    c) Three fourth majority of that particular class agree to the alterations
    d) Seventy percent majority of that class agree to the alterations
13. Any member or members of the affected class representing at least 10 percent shareholding of that class may apply for an order against the resolution varying their rights. They will apply to
   a) The registrar
   b) The commission
   c) The board of directors
   d) The Court

14. In case of variation in shareholders' rights of a particular class of members, 10% or more of the class of shareholders who are aggrieved by the variation of their rights may apply to the court, for an order cancelling the variation within
   a) 14 days
   b) 21 days
   c) 30 days
   d) None of the above is correct

15. In case of variation in shareholders' rights of a particular class of members, the court may give its decision in favor or against the special resolution by the company. The company is required to forward a copy of the court decision to the registrar within
   a) 14 days of receipt of the order
   b) 15 days of receipt of the order
   c) 30 days of receipt of the order
   d) None of the above is correct

16. The Companies Act, 2017 requires companies to have an authorized amount of share capital. Authorized share capital is the _______________ of shares (in each class) that the company may issue, it is expressed in terms of the nominal value of the shares.

17. A share represents the _______________ of a shareholder in a limited liability in the event that the company is wound up with unpaid debts.

18. Whenever a company mentions its authorized capital in any advertisement or notice or in any statement, it shall mention the amount of its ___________ capital as well in equally conspicuous letters and in equally prominent position.

19. There is no limit to the amount of dividends that a company can pay to its ordinary shareholders out of its ________________.

20. In a winding up of the company, the ________________ are not entitled to receive payment of any capital from the liquidation of its assets until all creditors have been paid and the nominal share capital of all preference shareholders has been repaid.
CHAPTER 22: SHARE CAPITAL - PROSPECTUS

1. A single offering document allowing companies to make multiple offerings as disclosed in the offering document is known as
   a) Sale prospectus
   b) Shelf-prospectus
   c) Single Prospectus
   d) Multiple Prospectus

2. A supplement to the prospectus invites the general public for subscription of earlier offered security (ies). The supplement to the prospectus contains
   a) New prospectus
   b) Self-prospectus
   c) Updated disclosures
   d) None of the above

3. The prospectus is issued, published or circulated with the approval of
   a) The members
   b) The board of directors
   c) The Commission
   d) The Auditors

4. The prospectus in its full text or in such abridged form, shall be published at least in
   a) One Urdu magazine
   b) One Urdu or one English fortnight newspaper
   c) One Urdu and one English magazine
   d) One Urdu and one English daily newspaper

5. Prospectus issued shall be made available, free of charge,
   a) At the registered office of the issuer
   b) With all the bankers to the issue
   c) With the concerned share registrar
   d) All the above

6. The prospectus along with the subscription form, from the date of its publication in the newspapers, till the closing of the subscription, shall also be uploaded
   a) On the website of the securities exchange
   b) On the website of the SECP
   c) On the website of the Issuer
   d) On the website of the concerned Bank
7. Prospectus means any document, notice, circular, material, publication or other invitation offering
   a) To the general public
   b) To the board of directors
   c) Only to the existing shareholders
   d) Only to the existing customers

8. Although approval from the Commission is required for issue, publication or circulation of prospectus, there are instances where prior approval is not necessary such instances include
   a) Securities offered by the State Bank of Pakistan
   b) Where securities are offered in connection with a private offering
   c) Where the securities are shares and are offered as bonus shares
   d) All of the above

9. A prospectus approved by the commission shall be valid for a period of
   a) 30 days from the date of such approval
   b) 60 days from the date of such approval
   c) 90 days from the date of such approval
   d) 120 days from the date of such approval

10. A prospectus shall not contain a statement purporting to be made by an expert unless the expert is a person
    a) Who is not or has not been engaged or interested in the formation of the company
    b) Who is or has been engaged or interested in the formation of the company
    c) Who is engaged or interested in the promotion of the company
    d) Who is engaged or interested in the management of the company

11. If a public company opts not to issue shares to the general public initially and start the business in such a case Company would be required to file with the registrar
    a) Statement of affairs
    b) Statement of capital
    c) Statement in lieu of prospectus
    d) Statement in lieu of advertisement

12. The prospectus is a formal document and needs
    a) Approval from the board and clearance from the auditors.
    b) Approval from the members and clearance from the creditors
    c) Approval from the Commission and clearance from the securities exchange
    d) Approval from the court and clearance from the registrar
13. Once issued and securities allotted under a prospectus
   a) It shall be sent to the registrar
   b) It shall be sent to the securities exchange
   c) Its existence will end
   d) Its existence will continue till the next AGM

14. A prospectus is required to be submitted to the SECP for approval at least
   a) 14 days before the proposed date of publication in the newspapers
   b) 21 days before the proposed date of publication in the newspapers
   c) 30 days before the proposed date of publication in the newspapers
   d) None of the above is correct

15. Minimum time gap between the date of publication of a prospectus and the date of subscription shall be
   a) 14 days
   b) 21 days
   c) 30 days
   d) 7 days

16. The prospectus is issued, published or circulated with the approval of the commission. The same condition also applies on ___________ or ________________.

17. It is customary for the authorities to require the company to arrange and write the _______________ separately and readers of the prospectus are specifically advised to read the same before making any investment decision.

18. __________ includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him.

19. The prospectus in its full text or in such abridged form, shall be published at least in one Urdu and one English daily newspaper. It shall not be published in the newspapers less than ______ or more than __________ before the commencement of the public subscription.

20. The purpose of prospectus is to invite offers from public for the subscription or purchase of any ______________ of a company.
CHAPTER 24: MEETINGS

1. A general meeting is a meeting of the shareholders of the company who are entitled by the company’s articles to
   a) Borrow money on behalf of the company
   b) Appoint company secretary on behalf of the company
   c) Attend and vote at such meetings
   d) Call annual general meeting

2. Generally, a private company is not required to hold a statutory meeting but it shall also be required to hold a statutory meeting if
   a) Such private company decides to liquidate the company
   b) Such private company is a subsidiary of a public company
   c) Such private company converts itself into a public company within one year of its incorporation.
   d) Such private company converts itself into a public company within 06 months of its incorporation.

3. The statutory meeting shall consider and approve report called statutory report which is sent to each member, along with a notice of the statutory meeting
   a) At least twenty-one days before the date of statutory meeting
   b) At least seven days before the date of statutory meeting
   c) At least thirty days before the date of statutory meeting
   d) At least fourteen days before the date of statutory meeting

4. The first annual general meeting of a company shall be held
   a) After 16 months from the date of its incorporation
   b) Within 16 months from the date of its incorporation
   c) After 18 months from the date of its incorporation
   d) Within 12 months from the date of its incorporation

5. The SECP, in the case of a listed company and the registrar, in the case of other companies may extend the time for holding of subsequent annual general meeting
   a) Upto a maximum of 30 days
   b) Upto a minimum of 30 days
   c) For 21 days
   d) For 15 days

6. At least 21 days’ notice of annual general meeting shall be given to members and in case of a listed company such notice shall also be published in
   a) An Urdu or an English daily newspaper having nationwide circulation
   b) An Urdu and an English daily newspaper having nationwide circulation
   c) An Urdu and an English fortnight newspaper
   d) Any local language and an English fortnight newspaper
7. If members of a listed company, not resident in city where AGM is taking place required the company to provide the facility of video link to attend AGM of the company, then they must fulfil the following condition in order to make such request to be valid
   a) Holding at least 10% share capital
   b) The request must be in written form
   c) The request must be made at least seven days before such meeting
   d) All of the above

8. If the directors do not proceed to call a meeting with in 21 days of filing of the requisition by the members, the requisitionists may call a meeting and that meeting should be held and conducted
   a) Within 21 days from the date of the deposit of the requisition
   b) Within 30 days from the date of the deposit of the requisition
   c) Within 90 days from the date of the deposit of the requisition
   d) Within 120 days from the date of the deposit of the requisition

9. When there are material defects or omission in the notice or the proceedings of the meeting is alleged to be irregular then, following condition(s) must be fulfilled in order to declare such meeting invalid
   a) Members having 10% or more rights can apply
   b) Members can apply to the court
   c) Application must be made within 30 days of the meeting
   d) All of the above

10. If the required quorum is not present at the meeting within half an hour from the time appointed for the meeting it shall be
    a) Dissolved in any case
    b) Adjourned in any case
    c) Held in any case
    d) Dissolved, if called upon the requisition of members

11. In any company voting is done by show of hands unless a poll is ordered by chairman of the meeting. On show of hands every member shall exercise
    a) 1 vote per 10 shares
    b) 10 votes per share
    c) 1 vote irrespective of number of shares
    d) 10 votes irrespective of number of shares

12. A member cannot appoint more than one proxy to attend any one meeting. If more than one proxy is appointed for any one meeting
    a) All proxies possess same voting rights
    b) All proxies possess same right to speak
    c) All appointments of proxies shall be valid
    d) All appointment of proxies shall be invalid
13. Members of the company can demand a certified copy of the minutes of general meeting, any time after 7 days from meeting, which the company shall provide to them
   a) Within 7 working days of receipt of his request
   b) Within 14 working days of receipt of his request
   c) Within 30 working days of receipt of his request
   d) Within 60 working days of receipt of his request

14. The records of all proceedings of the meetings must be kept at the registered office of the company in physical and electronic form and it shall be preserved for
   a) At least 10 years in physical form and permanently in electronic form
   b) At least 20 years in physical form and permanently in electronic form
   c) Permanently in physical form and permanently in electronic form for 10 years
   d) Permanently in physical form and permanently in electronic form for 20 years

15. Members of a private company or a public unlisted company, may pass a resolution by circulation signed by all members except
   a) For special businesses of AGM
   b) For special businesses of Statutory meeting
   c) For ordinary businesses of AGM
   d) For ordinary businesses of Statutory meeting

16. All companies, except single member companies, are required by law to hold ____________________, at which the members should be entitled to vote on certain resolutions.

17. The company shall file all the __________________ passed by it within fifteen days of passing the same with the registrar, such copy to be filed shall be authenticated by a director or secretary of the company.

18. General meetings are chaired by the ______________ of the board of directors, and other directors may also attend. However, the directors do not have a right to vote at a general meeting unless they are also a member of the company.

19. Chairman of the meeting may order a __________ to be taken instead of voting by show of hands or after seeing the result of voting by show of hands.

20. ______________ is a formal document sent to each member at his registered address or such address which he has supplied to the company for communication purpose in case where he has no registered address in Pakistan; so that each member must be aware of the matters to be discussed.
CHAPTER 25: MANAGEMENT

1. The names and number of first directors shall be decided by the
   a) Members of the company
   b) Promoters of the company
   c) Subscribers to the memorandum
   d) CEO of the company

2. Subsequent Chief Executive of a company is required to be appointed by the directors within
   a) 07 days of the election of Directors
   b) 14 days of the election of Directors
   c) 21 days of the election of Directors
   d) 30 days of the election of Directors

3. Which of the following ineligibility applies only to appointment of directors in a listed company:
   a) Is a minor
   b) Is an undischarged insolvent
   c) Has been convicted by a court for an offense involving moral turpitude
   d) Has been declared by a court as defaulter in repayment of loan to a financial institution.

4. A director shall be treated to have vacated the office of director if he absents himself from
   a) Meetings held in the last three months
   b) Meeting held in the last 120 days
   c) Three consecutive meetings of the board of directors
   d) Three consecutive meetings of the members

5. A company is not allowed to contribute any amount
   a) To any social purpose
   b) To any dividend payment
   c) To any political party
   d) To any Zakat payment

6. The maximum number of director of a public company fixed by the Companies Act, 2017 is
   a) 07
   b) 10
   c) 50
   d) Not specified by the Companies Act, 2017
7. The quorum for a meeting of directors of a listed company will not be less than
   a) Two-third of their number or 4 whichever is greater
   b) One-third of their number or 4 whichever is greater
   c) One-fourth of their number or 4 whichever is greater
   d) Three-fourth of their number or 4 whichever is greater

8. A chief executive shall be a person who is vested with whole or substantially the whole, of the powers of the management of the affairs of the company. Being a member of the board of directors, he reports to
   a) The chairman of the company
   b) The members of the company
   c) The board of directors of the company
   d) The company secretary of the company

9. Number of directors to be elected in the forthcoming election shall be fixed by the directors at least
   a) 21 days before election in the general meeting
   b) 35 days before election in the general meeting
   c) 60 days before election in the general meeting
   d) None of the above is correct

10. The persons who may wish to contest the election of directors are required to give notice to the company at least
    a) 7 days before election
    b) 14 days before election
    c) 21 days before election
    d) None of the above is correct

11. Any casual vacancy on the board of a listed company shall be filled up by the directors at the earliest but not later than
    a) 90 days from the date, the vacancy occurred.
    b) 120 days from the date, the vacancy occurred.
    c) 60 days from the date, the vacancy occurred.
    d) None of the above is correct

12. In case of any material irregularity in the election of the directors, members having 10% or more voting power may apply to the court within
    a) 14 days of election
    b) 21 days of election
    c) 30 days of election
    d) None of the above is correct
Questions

13. Mr. M has given a request to the company to hold fresh election of directors upon acquisition of a sizable shareholding in the company that is public unlisted company. The directors are supposed to proceed to hold fresh election of directors within
   a) 30 days of such application
   b) 60 days of such application
   c) Any time period as decided by the SECP
   d) One year of such application

14. A person cannot be appointed as director of a company if he is lacking fiduciary behaviour and a declaration to this effect has been made by the court at any time during preceding
   a) 3 years
   b) 5 years
   c) Any time period as decided by the court
   d) None of the above is correct

15. The directors of a public company shall meet at least once in
   a) Every month
   b) Each quarter of a year
   c) A year
   d) None of the above is correct

16. No person shall hold office as director, including as an alternate director at the same time in more than such number of companies as may be specified; however this shall not include the directorship in a _____________.

17. In addition to the directors elected and appointed in a general meeting, the ________ may also nominate directors on the board of the company if they are empowered to do so by virtue of any agreement in this regard.

18. Directors are appointed for a term of _____________, however they may earlier resign from the office and casual vacancy shall be filled by the remaining directors.

19. Instead making a disclosure at separate intervals on each transaction, the director may give a general notice regarding his _____________ in other body corporate or partnership in firms so that he may be considered as interested in any transactions, contract or arrangement entered into with these business.

20. Listed companies are further required to appoint independent _____________ to handle the transfer of shares and all other obligations of the company as an issuer towards shareholder.
CHAPTER 26: INVESTMENT AND DIVIDENDS

1. Under the provisions of the Companies Act 2017, the power to make investments in a company rests with the
   a) CEO of the company
   b) Directors of the company
   c) Members of the company
   d) Chairman of the company

2. Investment in associated company cannot be made by the directors themselves. They will have to get its approval from
   a) Members in a class meeting through special resolution
   b) Members in a general meeting through ordinary resolution
   c) Members in a general meeting through special resolution
   d) Members in a BOD meeting through ordinary resolution

3. Being a separate legal person, a company can make investments in any other company or security. But all the investments of the company must be made and held
   a) In the name of controlling shareholders
   b) In the name of Sponsors of the company
   c) In the name of chairman of the company
   d) In the name of Company itself

4. The company shall not make an increase in amount or any variation in the nature and terms of any investment without passing
   a) An ordinary resolution in the general meeting.
   b) A special resolution in the general meeting
   c) A resolution in the Board meeting
   d) A resolution in creditors meeting

5. The register for investments of company not held in its own name is open to inspection for the members of the company,
   a) Free of cost for at least two hours daily
   b) Free of cost for at least five hours daily
   c) At a payment of charge for at least two hours daily
   d) At a payment of charge for at least five hours daily

6. Any member may require a certified copy of register, on fee fixed by the company. Certified copies requested shall be issued
   a) After 7 days
   b) Within 7 days
   c) After 14 days
   d) Within 14 days
7. The amount of final dividend is proposed by directors and approved by
   a) Members in AGM of the company
   b) Auditors in AGM of the company
   c) CEO in BOD meeting of the company
   d) Members in EGM of the company

8. Interim dividend may be proposed and paid before the end of the year by the
   a) Directors of the company
   b) Chairman of the company
   c) Chief Executive of the company
   d) None of the above

9. The dividend is proposed by the directors. The members may
   a) Reduce the dividend
   b) Accept the dividend
   c) Reject the dividend
   d) All of the above

10. Dividend warrants are a type of a crossed cheque and can be credited in to bank account of
    a) Creditor of the company
    b) Auditor of the company
    c) Member of the company
    d) Director of the company

11. Who is responsible in case of default regarding payment of dividend to member?
    a) Director Finance of the company
    b) BOD of the company
    c) CEO of the company
    d) Chairman of the company

12. In any case, the members of the company cannot
    a) Reject the amount of dividend proposed by directors
    b) Accept the amount of dividend proposed by directors
    c) Decrease the amount of dividend proposed by directors
    d) Increase the amount of dividend proposed by directors

13. In case of delay in payment of dividend, Chief executive of the company may be imprisoned for a term not exceeding two years and he may be fined for an amount
    a) Upto Rs. 50 million
    b) Upto Rs. 5 million
c) Minimum Rs. 5 million  
d) Minimum Rs. 50 million

14. The term “investment” shall include  
a) Loans  
b) Advances  
c) Equity  
d) All of the above

15. In case of default regarding period of payment of dividend, Chief executive of the company will be fined and imprisoned for a term which may extend to two years. He shall further be ineligible to become a director or chief executive of  
a) Any company for the next five years  
b) Any company for the next ten years  
c) Any holding company for the next five years  
d) Any subsidiary company for the next ten years

16. The directors of the company may propose and pay _____________ before end of the year. This dividend is usually announced with quarterly or half yearly accounts of the company in addition to the final dividend.

17. The dividends will be either in ________ or in ________ of listed company held by the distributing company. The power to declare a dividend should be specified in the company’s articles of association.

18. Dividend shall not be declared or paid out of _______________ on investment property credited to profit and loss account.

19. In case of a ___________, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designed by the entitled shareholders.

20. For any financial year, dividend is not declared out of the profits from sale of ___________ or item of ___________.
CHAPTER 27: ACCOUNTS

1. Books of accounts must be preserved in good order under the requirement of Companies Act, 2017 for a period of
   a) At least 10 years
   b) At least 15 years
   c) Maximum 20 years
   d) Maximum 10 years

2. Books of accounts must be kept at the registered office of the company, however, these books may be kept at some other place by the decision of:
   a) The members of the company
   b) The directors of the company
   c) The creditors of the company
   d) The Auditors of the company

3. The books of accounts may be inspected by the
   a) Directors of the company during business hours
   b) Members of the company during business hours
   c) Creditors of the company during business hours
   d) Promotors of the company during business hours

4. In case of first financial statements of the company, it shall be presented before the meeting within
   a) 12 months from the date of incorporation of the company
   b) 14 months from the date of incorporation of the company
   c) 16 months from the date of incorporation of the company
   d) 24 months from the date of incorporation of the company

5. As a token of approval of financial statements, the chief executive and at least one director of the company put their signatures on the financial statements and in case of a listed company also by the
   a) Company secretary
   b) Auditors of the company
   c) Chief financial officer
   d) Chief operating officer

6. The financial statements of a single member company shall be signed by
   a) Chief executive
   b) One director
   c) Chief executive and one director
   d) Chief executive and two director
7. The requirement of filing of accounts shall not apply to a private company having paid up capital not exceeding
   a) RS 10 million or such higher amount as notified by the Commission
   b) RS 05 million or such higher amount as notified by the Commission
   c) RS 03 million or such higher amount as notified by the Commission
   d) RS 01 million or such higher amount as notified by the Commission

8. Financial statements shall be audited by the auditor of the company but this requirement of audit is not applicable to a private company having paid up capital not exceeding
   a) Rs. 01 million or such higher amount as may be notified by the Commission
   b) Rs. 05 million or such higher amount as may be notified by the Commission
   c) Rs. 10 million or such higher amount as may be notified by the Commission
   d) Rs. 15 million or such higher amount as may be notified by the Commission

9. Directors of every company shall make out and attach to the accounts, a report containing following particulars
   a) Statements regarding the state of the affairs of the company
   b) Particulars of any amount recommended as dividend
   c) Particulars of any amount transferred or proposed to be transferred to any reserve account
   d) All of the above

10. The requirement of preparing a directors report is not applicable a private company, not being a subsidiary of public company, have the paid up capital not exceeding
    a) Rs. 1 million
    b) Rs. 03 million
    c) Rs. 05 million
    d) Rs. 10 million

11. The directors report of a public company shall address all the material changes occurred during the financial year which affect
    a) The business of the company
    b) Any other company in which the company has interest
    c) Any of its subsidiaries
    d) All of the above

12. Directors report and the statements of compliance must be approved by the board and signed by the
    a) CEO
    b) Director of the company
    c) CEO and CFO of the company
    d) CEO and a director of the company
13. The quarterly financial statements of a listed company shall be transmitted electronically within the specified period to
   a) The Commission
   b) The Securities exchange
   c) The Registrar
   d) All of the above

14. The directors of a company have decided to keep the books of account at a place other than the registered office of the company. In this case, they are required to file a notice to the registrar of the full address of that place within
   a) 14 days of such decision.
   b) 21 days of such decision.
   c) 30 days of such decision.
   d) 7 days of such decision.

15. Copy of audited financial statements, auditors’ report and directors’ report shall be sent to every member at his registered address at least
   a) 14 days before the meeting
   b) 21 days before the meeting
   c) 30 days before the meeting
   d) None of the above is correct

16. A copy of the quarterly financial statements of a listed company shall be dispatched in physical form if so requested by any __________ without any fee.

17. __________________ shall be circulated along with the directors’ report and the report shall state the name and country of origin of its holding company if such holding company is a foreign company.

18. _________________ means the process of approval of accounts for the purpose of issuance of the same to the members of the company.

19. In the case of a company engaged in production, processing, manufacturing or mining activates, relevant ______________ shall also be maintained.

20. The ______________ shall address any material changes and commitments affecting the financial position of the company, which have occurred between the financial year end and the date of the report.
### CHAPTER 1: INTRODUCTION TO THE LEGAL SYSTEM

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong></td>
<td>(d)</td>
<td>President is elected for a five-year term by Senate, National Assembly and members of Provincial Assembly.</td>
</tr>
<tr>
<td><strong>2.</strong></td>
<td>(b)</td>
<td>In criminal case, the guilt of an accused person needs to be proved beyond all reasonable doubt.</td>
</tr>
<tr>
<td><strong>3.</strong></td>
<td>(a)</td>
<td>In a civil case the one who is filing a suit is known as plaintiff and against whom the case is filed is known as defendant.</td>
</tr>
<tr>
<td><strong>4.</strong></td>
<td>(d)</td>
<td>The criminal law is not to compensate injured parties but to punish and penalize the wrongdoers.</td>
</tr>
<tr>
<td><strong>5.</strong></td>
<td>(a)</td>
<td>Law is a set of rules and system of rules designed and enforced by the state to control the conduct of people.</td>
</tr>
<tr>
<td><strong>6.</strong></td>
<td>(d)</td>
<td>The civil law primarily deals with disputes between individuals and organizations.</td>
</tr>
<tr>
<td><strong>7.</strong></td>
<td>(c)</td>
<td>When an accused found guilty of a crime he is known as a convicted person.</td>
</tr>
<tr>
<td><strong>8.</strong></td>
<td>(c)</td>
<td>President is the head of state, National Assembly is the lower house and Senate is the upper house.</td>
</tr>
<tr>
<td><strong>9.</strong></td>
<td>(d)</td>
<td>Prime Minister is the head of the Government.</td>
</tr>
<tr>
<td><strong>10.</strong></td>
<td>(a)</td>
<td>One hundred and twenty days.</td>
</tr>
<tr>
<td><strong>11.</strong></td>
<td>(b)</td>
<td>A Money Bill shall originate in National Assembly then directly be presented to the President for assent.</td>
</tr>
<tr>
<td><strong>12.</strong></td>
<td>(d)</td>
<td>The Provincial Assemblies are responsible for electing the senators from their respective provinces.</td>
</tr>
<tr>
<td><strong>13.</strong></td>
<td>(a)</td>
<td>The President has got the powers to sign any piece of legislation</td>
</tr>
<tr>
<td><strong>14.</strong></td>
<td></td>
<td>Society as a whole</td>
</tr>
<tr>
<td><strong>15.</strong></td>
<td></td>
<td>Criminal Trials</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>President of Pakistan</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Ten (10) days</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Tort (a wrongdoing)</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER 2: INTRODUCTION TO THE LAW OF CONTRACT

1. (b) The law of contract is the law regulating the contractual obligations between the parties.

2. (b) The contract law has nothing to do with social, moral and religious obligations.

3. (a) A contract where both the parties have performed their respective promises is known as executed promises.

4. (c) Legal rights and obligations and it does not include any domestic or social rights and obligations.

5. (d) Only the injured party has an option to set aside the contract in case of voidable contract.

6. (a) Voidable contract is valid at the time of making it and only an aggrieved party can set aside the contract.

7. (c) Void contract is a perfectly valid contract at the time of formation of a contract.

8. (c) Agreements between friends creating legal relationship can be enforced because even though it is an agreement between friends but the nature of the contract is not of a social or domestic relationship.

9. (c) By none of the parties because void agreement is void ab-initio i.e. void from the beginning.

10. (d) Legal enforceability along with mutual and free consent between the parties and lawful consideration is must for an agreement to be enforced.

11. (b) Enforceable by law at the option of the aggrieved party.

12. (a) Void because an agreement which cannot be enforced by law is not a valid contract.

13. (b) A contract may become void subsequent to its formation because a contract can never be void from the time of its formation.

14. (b) A bilateral contract is a contract in which a promise on one side is exchanged for a promise on the other.

15. (c) A void contract is perfectly valid at the beginning but it ceases to be enforceable later on.


17. Implied Contracts

18. Contract, contract

19. Enforceable

20. Consideration
CHAPTER 3: OFFER AND ACCEPTANCE

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>An offer is a proposal by one person to another for entering into a legally binding agreement with him</td>
</tr>
<tr>
<td>2.</td>
<td>(c)</td>
<td>An advertisement offering reward to anyone who finds the lost dog of the advertiser and this is known as general offer</td>
</tr>
<tr>
<td>3.</td>
<td>(d)</td>
<td>A valid contract because this rule is known as a postal rule</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>An offer is a proposal for doing or not doing something.</td>
</tr>
<tr>
<td>5.</td>
<td>(b)</td>
<td>14th because the communication of acceptance as against offeror is complete when the offeree posts letter of acceptance.</td>
</tr>
<tr>
<td>6.</td>
<td>(c)</td>
<td>Intention to get assent of other party for offered act or abstinence.</td>
</tr>
<tr>
<td>7.</td>
<td>(d)</td>
<td>For a valid offer there is need to be two persons. A person cannot make an offer to himself</td>
</tr>
<tr>
<td>8.</td>
<td>(a)</td>
<td>By non-fulfillment of condition precedent to acceptance because it is necessary on the part of offeree to fulfill the condition precedent to acceptance</td>
</tr>
<tr>
<td>9.</td>
<td>(b)</td>
<td>Prescribed manner because an offer come to an end if it is not accepted according to the prescribed manner (if any)</td>
</tr>
<tr>
<td>10.</td>
<td>(b)</td>
<td>Acceptance may be revoked at any time, before the communication of acceptance is complete as against the acceptor</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>To himself because for a valid offer there needs to be two persons at least.</td>
</tr>
<tr>
<td>12.</td>
<td>(d)</td>
<td>Offer has no legal consequence or value unless it is accepted</td>
</tr>
<tr>
<td>13.</td>
<td>(b)</td>
<td>The implied acceptance may be complete when it is communicated to the offeror through conduct of the offeree.</td>
</tr>
<tr>
<td>14.</td>
<td>(c)</td>
<td>No, Karim’s response constitutes a counteroffer and is effectively a rejection of Abdullah’s offer. This is also known as bargaining</td>
</tr>
<tr>
<td>15.</td>
<td>(a)</td>
<td>By any member of the public because it is not a specific or particular offer so it can be accepted in any member of the public.</td>
</tr>
<tr>
<td>16.</td>
<td>An invitation of offer</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Accepted</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Proposer/Offeror</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Subject matter, circumstance</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Usual mode</td>
<td></td>
</tr>
</tbody>
</table>
### CHAPTER 4: CAPACITY OF PARTIES

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(d)</td>
<td>An idiot is a person who is so mentally deficient by birth as to be incapable of ordinary reasoning.</td>
</tr>
<tr>
<td>2.</td>
<td>(a)</td>
<td>An agreement with a minor is not a valid contract hence it is a void agreement</td>
</tr>
<tr>
<td>3.</td>
<td>(d)</td>
<td>A person who supplied necessaries to a minor is entitled to be reimbursed from the property of such minor.</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>A person declared as insolvent cannot enter into a contract according to the law</td>
</tr>
<tr>
<td>5.</td>
<td>(b)</td>
<td>Agent makes agreement on behalf of principal and he cannot be held personally liable. He is only acting on behalf of the principal.</td>
</tr>
<tr>
<td>6.</td>
<td>(b)</td>
<td>He is capable of understanding contract and forming rational judgement about it.</td>
</tr>
<tr>
<td>7.</td>
<td>(c)</td>
<td>He cannot enter into a contract with Pakistani citizens because he is legally disqualified from entering into contract</td>
</tr>
<tr>
<td>8.</td>
<td>(d)</td>
<td>When he was convicted of an offence but this disability comes to an end after the expiry of the sentence or when he is on parole</td>
</tr>
<tr>
<td>9.</td>
<td>(d)</td>
<td>His age, soundness of mind and qualification by law is compulsory for him to have contractual capacity.</td>
</tr>
<tr>
<td>10.</td>
<td>(a)</td>
<td>Being an artificial legal person, the company is legally entitled to enter into a contract in its own name</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>From his personal property if any. A minor can never be held liable personally even for necessities supplied to him.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>An agreement with a minor is not a valid contract hence it is a void agreement</td>
</tr>
<tr>
<td>13.</td>
<td>(c)</td>
<td>Minor can be declared as an insolvent is false statement. A minor is already an incompetent person and an incompetent person cannot be declared as an insolvent</td>
</tr>
<tr>
<td>14.</td>
<td>(a)</td>
<td>He may enter into a contract when he is of sound mind because when he is of sound mind he is capable to enter into a contract according to the law</td>
</tr>
<tr>
<td>15.</td>
<td>(a)</td>
<td>Contract entered before the declaration of war are either suspended or terminated during the period of war</td>
</tr>
<tr>
<td>16.</td>
<td>Competent to contract</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>The minor</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>An unsound mind</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Official assignee or official receiver</td>
<td></td>
</tr>
</tbody>
</table>
### CHAPTER 5: CONSIDERATION

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>Any act or promise will be valid consideration if such act has been done at the request of the promisor.</td>
</tr>
<tr>
<td>2.</td>
<td>(b)</td>
<td>There is no requirement for the adequacy of consideration but it should have some monetary value.</td>
</tr>
<tr>
<td>3.</td>
<td>(d)</td>
<td>An agreement made on account of natural love and affection will be valid if it is expressed in writing, registered and it is made between the parties in a near relation.</td>
</tr>
<tr>
<td>4.</td>
<td>(a)</td>
<td>If the two acts of making promise and getting consideration are done simultaneously, the consideration is known as Present consideration.</td>
</tr>
<tr>
<td>5.</td>
<td>(d)</td>
<td>Consideration may be given by promisee or any other person on his behalf. Under the law it is not important that who has given a consideration.</td>
</tr>
<tr>
<td>6.</td>
<td>(d)</td>
<td>Any act or promise will be valid consideration if such act has been done at the request of the promisor.</td>
</tr>
<tr>
<td>7.</td>
<td>(a)</td>
<td>An agreement without consideration is void.</td>
</tr>
<tr>
<td>8.</td>
<td>(a)</td>
<td>Future consideration or Executory consideration is one and same. The consideration which moves after the formation of agreement is called future consideration.</td>
</tr>
<tr>
<td>9.</td>
<td>(d)</td>
<td>This contract is valid as consideration is future consideration.</td>
</tr>
<tr>
<td>10.</td>
<td>(d)</td>
<td>The consideration may be past, present or future.</td>
</tr>
<tr>
<td>11.</td>
<td>(b)</td>
<td>An act or abstinence of promise constituting consideration must have been done or made at the request of the promisor.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>If the promisee has undertaken some liability on the basis of such promise because the promisee on the strength of the promise has made commitments.</td>
</tr>
<tr>
<td>13.</td>
<td>(b)</td>
<td>The consideration must be something which the promisor is not already bound to do.</td>
</tr>
<tr>
<td>14.</td>
<td>(a)</td>
<td>Promise made without consideration is valid if the person who is to be compensated has done something voluntarily.</td>
</tr>
<tr>
<td>15.</td>
<td>(b)</td>
<td>Consideration may be from the promisee himself or by any other person even by stranger.</td>
</tr>
<tr>
<td>17.</td>
<td>Adequate.</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Time barred debt</td>
<td></td>
</tr>
<tr>
<td>19.</td>
<td>Real</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Promisee.</td>
<td></td>
</tr>
</tbody>
</table>
### CHAPTER 6: FREE CONSENT

<table>
<thead>
<tr>
<th>No.</th>
<th>Option</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(b)</td>
<td>Parties to a contract are related to each other under some sort of relationship.</td>
</tr>
<tr>
<td>2.</td>
<td>(a)</td>
<td>Undue influence implies unfair use of dominating position and some kind of mental and moral pressure.</td>
</tr>
<tr>
<td>3.</td>
<td>(c)</td>
<td>Coercion may be exercised from any person and may be directed against any person, even a stranger.</td>
</tr>
<tr>
<td>4.</td>
<td>(d)</td>
<td>If an act is done, with an intention to deceive because fraud is an intentional misrepresentation of the facts.</td>
</tr>
<tr>
<td>5.</td>
<td>(b)</td>
<td>There is no presumption that a person is in position to dominate the will of another person in case of creditor and debtor.</td>
</tr>
<tr>
<td>6.</td>
<td>(d)</td>
<td>Duty to speak does not make silence as fraud because it is the duty of the person keeping silence to speak.</td>
</tr>
<tr>
<td>7.</td>
<td>(a)</td>
<td>The threat to commit a suicide is an offence under Pakistan Penal Code.</td>
</tr>
<tr>
<td>8.</td>
<td>(d)</td>
<td>The person who is in a dominating position is presumed to obtain unfair advantage over the other.</td>
</tr>
<tr>
<td>9.</td>
<td>(d)</td>
<td>Will not amount to fraud because it is a mere expression of opinion for making self-praise of his own goods.</td>
</tr>
<tr>
<td>10.</td>
<td>(d)</td>
<td>A contract is set to be caused by coercion when it is obtained by unlawful detaining or threatening to detain the property.</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>Yes, but the contract is void on account of bilateral mistake regarding material fact i.e. identity of the subject matter (horse).</td>
</tr>
<tr>
<td>12.</td>
<td>(d)</td>
<td>Yes because the adoption deed was made by coercion because coercion implies use of physical force or threat to cause consent.</td>
</tr>
<tr>
<td>13.</td>
<td>(a)</td>
<td>A contract is said to be caused by coercion when it is obtained by committing or threatening to commit any act which is forbidden by Pakistan Penal Code.</td>
</tr>
<tr>
<td>14.</td>
<td>(d)</td>
<td>Unsoundness of mind comes within the ambit of contractual capacity and not in free consent of parties.</td>
</tr>
<tr>
<td>15.</td>
<td>(b)</td>
<td>Generally silence, maintained by the party on material facts of subject matter does not amount to fraud.</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Fraud or misrepresentation.</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Consensus-ad-idem.</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Connivance.</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Fraud.</td>
</tr>
</tbody>
</table>
### CHAPTER 7: LEGALITY OF OBJECT, CONSIDERATION AND AGREEMENTS OPPOSED TO PUBLIC POLICY

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>The object and consideration of an agreement both must be lawful</td>
</tr>
<tr>
<td>2.</td>
<td>(a)</td>
<td>When the object or consideration of an agreement is considered as immoral in the opinion of the court such agreement will be void.</td>
</tr>
<tr>
<td>3.</td>
<td>(a)</td>
<td>No action is allowed in illegal agreement because action can only be taken in the court of law when the agreement is legal.</td>
</tr>
<tr>
<td>4.</td>
<td>(d)</td>
<td>It is in public interest that if a person has committed crime he must be punished hence this type of agreement is illegal</td>
</tr>
<tr>
<td>5.</td>
<td>(c)</td>
<td>Doctrine of public policy apply only in those areas where the damage to public interest is substantial.</td>
</tr>
<tr>
<td>6.</td>
<td>(a)</td>
<td>An agreement with alien enemy is against the national interest as no one is allowed to make an agreement with the citizens of enemy country.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>If the object of any agreement is to do any of such act which is in contravention of the law, such agreements are void.</td>
</tr>
<tr>
<td>8.</td>
<td>(d)</td>
<td>Agreement to adopt a child duly made under Pakistan’s law because adoption made by due process of law is valid.</td>
</tr>
<tr>
<td>9.</td>
<td>(d)</td>
<td>An agreement is lawful when it is not forbidden by law, it is not fraudulent and it is not the defeating the provisions of any law.</td>
</tr>
<tr>
<td>10.</td>
<td>(c)</td>
<td>A person cannot enter into an agreement with an alien enemy on the ground of public policy</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>Publishing any defamatory material involves damaging the goodwill and reputation of a person which is void.</td>
</tr>
<tr>
<td>12.</td>
<td>(d)</td>
<td>Any agreement made with an object of defrauding another will be void on account of illegality.</td>
</tr>
<tr>
<td>13.</td>
<td>(c)</td>
<td>This agreement is void on account of immorality. An agreement in which a person promises for reward to procure marriage for another is void being opposed to public policy.</td>
</tr>
<tr>
<td>14.</td>
<td>(d)</td>
<td>If the object of the agreement is unlawful then such agreement is void</td>
</tr>
<tr>
<td>15.</td>
<td>(b)</td>
<td>The collateral transactions to such an agreement also become tainted and hence cannot be enforced.</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Void ab initio</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Public policy</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Monopoly</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Guardianship</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Punishable</td>
</tr>
</tbody>
</table>
## CHAPTER 8: VOID AGREEMENT

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(d)</td>
<td>One who sells the goodwill of the business may agree with the buyer to refrain from carrying on a similar business, provided that such restrictions are reasonable.</td>
</tr>
<tr>
<td>2.</td>
<td>(a)</td>
<td>A promise to marry a particular person does not imply restraint of marriage.</td>
</tr>
<tr>
<td>3.</td>
<td>(a)</td>
<td>Agreement to sell all produce to a certain party with a stipulation that buyer is bound to accept whole quantity.</td>
</tr>
<tr>
<td>4.</td>
<td>(b)</td>
<td>Provided the restriction is reasonable, restriction can be made with the consent of both the parties.</td>
</tr>
<tr>
<td>5.</td>
<td>(a)</td>
<td>Jurisdiction of court of law cannot be restricted by any agreement.</td>
</tr>
<tr>
<td>6.</td>
<td>(a)</td>
<td>Any agreement which limits time period within which one can enforce his rights is void.</td>
</tr>
<tr>
<td>7.</td>
<td>(c)</td>
<td>Agreement, meaning of which seems to be uncertain but is capable of being made certain.</td>
</tr>
<tr>
<td>8.</td>
<td>(a)</td>
<td>They simply look at the possibility of happening of the event for their gain or loss.</td>
</tr>
<tr>
<td>9.</td>
<td>(a)</td>
<td>Agreement to buy ticket of lottery sponsored by the Government. A lottery is a game of chance. An agreement to buy a lottery ticket is void.</td>
</tr>
<tr>
<td>10.</td>
<td>(c)</td>
<td>Agreement in restraint of marriage of a minor. Agreement, which prevents a minor from getting married, is valid.</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>It is because monopolistic practices in the market may lead to exploitation of customers.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>This agreement tends to create monopoly in the market thus it is void.</td>
</tr>
<tr>
<td>13.</td>
<td>(d)</td>
<td>Mr. Bilal cannot join any other hospital of his own choice before the end of agreement because the agreement was valid and Dr. Abdullah can restraint Mr. Bilal from practicing at any other hospital.</td>
</tr>
<tr>
<td>14.</td>
<td>(d)</td>
<td>Mutual gain or lose, uncertain event and no control over the event are considered essential elements of a wagering agreement.</td>
</tr>
<tr>
<td>15.</td>
<td>(c)</td>
<td>Transaction of real and genuine sale and purchase of share and other securities in a stock exchange is not of a wagering nature.</td>
</tr>
<tr>
<td>16.</td>
<td>Void ab initio</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Valid.</td>
<td></td>
</tr>
<tr>
<td>18.</td>
<td>Marriage</td>
<td></td>
</tr>
<tr>
<td>20.</td>
<td>Court of law.</td>
<td></td>
</tr>
</tbody>
</table>
### CHAPTER 9: CONTINGENT CONTRACTS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(b)</td>
<td>May be valid. That depends upon the situation of contingent contract that it may be valid or it may not be</td>
</tr>
<tr>
<td>2.</td>
<td>(d)</td>
<td>Happening or Non-happening of some uncertain event collateral to such contract. The performance of the contingent contract depend on the happening or non-happening of an uncertain event in future and that event must be collateral to the main contract.</td>
</tr>
<tr>
<td>3.</td>
<td>(a)</td>
<td>All contacts of indemnity are contingent contracts. In indemnity contract one party promises to save the other from loss upon the happening of any specific event</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>Wagering agreement. Wagering agreement is one in which money is to be paid by one to another party without having any other interest. It is void</td>
</tr>
<tr>
<td>5.</td>
<td>(c)</td>
<td>The performance of a contingent contract depends upon the happening or non-happening of some condition.</td>
</tr>
<tr>
<td>6.</td>
<td>(a)</td>
<td>If the object of a contingent contract is valid then it is perfectly a valid contract and not a wagering agreement.</td>
</tr>
<tr>
<td>7.</td>
<td>(a)</td>
<td>Which is uncertain. The event must be uncertain, and contingency will arise only if it's happening or non-happening is quite uncertain</td>
</tr>
<tr>
<td>8.</td>
<td>(b)</td>
<td>Contingent contract. Insurance contract is a contract whereby the insurance company in consideration of payment of premium from the insured promises to compensate his losses arising out of insured cause.</td>
</tr>
<tr>
<td>9.</td>
<td>(d)</td>
<td>None of the above. Contingent contract is perfectly a valid contract and it is a contract which is conditional in nature</td>
</tr>
<tr>
<td>10.</td>
<td>(b)</td>
<td>Void agreement. Any agreement which is impossible to perform is void from the beginning i.e. void ab-initio.</td>
</tr>
<tr>
<td>11.</td>
<td>(b)</td>
<td>Contingent contract. Payment of money by Mr. A will be made on breaking of fire in the house of Mr. B. the performance of this agreement depends on breaking of fire in Mr. B’s house</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>Wagering agreement. The parties in a wagering agreement simply look at the possibility of happening of the event for their gain or loss.</td>
</tr>
</tbody>
</table>
### CHAPTER 10: QUASI CONTRACT

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(a) In Quasi Contract, the parties do not go into the process of offer &amp; acceptance, rather a relationship resembling with that of a contract is established.</td>
</tr>
<tr>
<td>2.</td>
<td>(c) According to this principle, nobody will be allowed to be enriched at the expense or cost of another person.</td>
</tr>
<tr>
<td>3.</td>
<td>(a) From the property of that incapable person. The supplier of necessaries is legally entitled to recover the cost of such supplies.</td>
</tr>
<tr>
<td>4.</td>
<td>(d) The person who gets benefit of non-gratuitous act or service is liable to compensate the person doing such act or rendering services.</td>
</tr>
<tr>
<td>5.</td>
<td>(c) Supplier of necessaries is legally entitled to recover the reasonable cost of such supplies</td>
</tr>
<tr>
<td>6.</td>
<td>(a) To take reasonable care of goods, as he would have taken in case of his own goods.</td>
</tr>
<tr>
<td>7.</td>
<td>(b) Another party must repay it to the party paying it. That person is under legal obligations to return it to the person paying.</td>
</tr>
<tr>
<td>8.</td>
<td>(d) The person doing the act should not have intended to do it gratuitously.</td>
</tr>
<tr>
<td>9.</td>
<td>(c) Mr. A is bound to pay both reward and expenses to Mr. D. Being a finder of goods, Mr. D is entitled to claim both expenses &amp; reward.</td>
</tr>
<tr>
<td>10.</td>
<td>(d) Mr. X and Mr. Z can recover their full money because Mr. X &amp; Mr. Z supplied necessaries but Mr. Y cannot recover anything because he has not supplied necessaries.</td>
</tr>
<tr>
<td>11.</td>
<td>(b) Mr. X can recover compensation for the work done by him on quantum meruit basis i.e. As much as earned or deserved.</td>
</tr>
<tr>
<td>12.</td>
<td>(a) Mr. X cannot recover anything from Mr. Y because the contract is indivisible. In this type of contract one cannot recover anything if the contract is indivisible.</td>
</tr>
<tr>
<td>13.</td>
<td>(a) Mr. B must return the diamond to Mr. A because Mr. A was entitled to retain it against the whole world except the true owner.</td>
</tr>
<tr>
<td>14.</td>
<td>(d) The person who gets benefit of non-gratuitous act or service is liable to compensate the person doing such act or rendering services.</td>
</tr>
<tr>
<td>15.</td>
<td>(b) A Quasi-contract is an obligation imposed by law in absence of any agreement between the parties.</td>
</tr>
<tr>
<td>16.</td>
<td>Mistake, Coercion</td>
</tr>
<tr>
<td>17.</td>
<td>Payment of money</td>
</tr>
<tr>
<td>18.</td>
<td>Finder of goods.</td>
</tr>
<tr>
<td>19.</td>
<td>Obligations.</td>
</tr>
<tr>
<td>20.</td>
<td>Compensation</td>
</tr>
</tbody>
</table>
CHAPTER 11: PERFORMANCE OF A CONTRACT

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(b) Both promisors perform their respective promises. After having made promises, the parties are legally bound to fulfil what they have promised to perform.</td>
</tr>
<tr>
<td>2.</td>
<td>(d) Tender must be unconditional, be made at proper place and time and be made for whole quantity.</td>
</tr>
<tr>
<td>3.</td>
<td>(c) 1st case is actual performance and 2nd is attempted performance. Under both ways of performance, the promisors get released from their obligations in that contract and the contract comes to an end.</td>
</tr>
<tr>
<td>4.</td>
<td>(d) Single promisor with single promisee. Contract is nothing but a bundle of promises, when the promise is made by one promisor and accepted by one promisee, this is known as single promise.</td>
</tr>
<tr>
<td>5.</td>
<td>(a) Mr. Z is liable to pay only Rs.60000/- The liability of a legal representative of the deceased promisor is limited to the value of property he inherits from the deceased and not more than that.</td>
</tr>
<tr>
<td>6.</td>
<td>(d) All joint promisors are jointly and severally liable. When two or more persons jointly make a promise, they are jointly and severally liable to perform the promise.</td>
</tr>
<tr>
<td>7.</td>
<td>(d) Contract is to be performed by promisor or by his legal representative or by his agent.</td>
</tr>
<tr>
<td>8.</td>
<td>(c) The legal representative of Mr. A along with Mr. B is liable to pay Rs.10000/-. In case of death of any one of joint promisors, his legal representative along with remaining promisors will perform the promise.</td>
</tr>
<tr>
<td>9.</td>
<td>(b) If it is a contractual obligation involving personal skill or ability than it cannot be assigned.</td>
</tr>
<tr>
<td>10.</td>
<td>(a) Contract becomes voidable at the option of promisee. Being an aggrieved party it depends upon the promisee either to continue the contract or to rescind the contract.</td>
</tr>
<tr>
<td>11.</td>
<td>(a) Mutual and separate promises. The promise made by one party forms consideration for the promise of another party. Such promises are known as reciprocal promises.</td>
</tr>
<tr>
<td>12.</td>
<td>(b) According to instruction given by the debtor. In such case appropriation must be made according to those instructions given by the debtor.</td>
</tr>
<tr>
<td>13.</td>
<td>(d) Mr. Y may avoid the contract and claim compensation from Mr. X. if one party prevents another from performing a promise the contract becomes voidable at the option of the party so prevented. He can also claim compensation.</td>
</tr>
<tr>
<td>14.</td>
<td>(d) Mr. Karim has a right to apply this payment for time-barred debt. When the debtor does not give any instruction, the creditor has a discretion to apply such payment for discharging any lawful debt even for time barred debt.</td>
</tr>
<tr>
<td>15.</td>
<td>(a) Mr. B has followed the instruction of Mr. A so he is discharged from his obligation. Mr. B has not committed any fraud or negligence so he is discharged from his obligation.</td>
</tr>
<tr>
<td>16.</td>
<td>Words, conduct</td>
</tr>
<tr>
<td>17.</td>
<td>Reciprocally</td>
</tr>
<tr>
<td>18.</td>
<td>Rescinds</td>
</tr>
<tr>
<td>19.</td>
<td>Joint promisors</td>
</tr>
<tr>
<td>20.</td>
<td>Reasonable period of time</td>
</tr>
</tbody>
</table>
## CHAPTER 12: DISCHARGE OF A CONTRACT

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>A contract is formed when the parties are mutually agreed. In a same way both the parties of a contract by mutual agreement can discharge that contract.</td>
</tr>
<tr>
<td>2.</td>
<td>(b)</td>
<td>Attempted performance to be legally effective, must be made within usual business hours and at a reasonable place.</td>
</tr>
<tr>
<td>3.</td>
<td>(a)</td>
<td>Rescission is the cancellation of a contract by mutual agreement of parties</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>Remission means accepting a less amount than the initial amount agreed</td>
</tr>
<tr>
<td>5.</td>
<td>(b)</td>
<td>It amounts to novation and Mr. X is liable to pay Rs.10000 + Interest. It discharges an existing contract and brings new contract into existence.</td>
</tr>
<tr>
<td>6.</td>
<td>(b)</td>
<td>Acceptance of a lesser performance than due in contract. Sometimes, the promisor may perform only a part of his promise and promisee accepts it for the performance of the whole promise.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>In other cases, except payment of money.</td>
</tr>
<tr>
<td>8.</td>
<td>(a)</td>
<td>The contract between Mr. A and Mr. B comes to an end because its performance has becomes unlawful. Change of law, after the formation of a contract, if renders performance of contract unlawful, such contract is discharged.</td>
</tr>
<tr>
<td>9.</td>
<td>(c)</td>
<td>Failure of third party or his inability will not be considered sufficient ground for discharging a contract.</td>
</tr>
<tr>
<td>10.</td>
<td>(a)</td>
<td>When a contract is valid at the time of formation and becomes impossible to perform subsequently it is called effected by supervening impossibility</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>Abdullah is not legally entitled to recover the amount because the contract has become time barred. If the contract is not performed and no action is taken by the promisee within the period of limitation, he is deprived of his remedy at law.</td>
</tr>
<tr>
<td>12.</td>
<td>(a)</td>
<td>The contract may be made for achieving more than one objectives. In case one object fails, contract will not be discharged.</td>
</tr>
<tr>
<td>13.</td>
<td>(b)</td>
<td>Hanzhalah is excused from the obligation of paying rent to the hotel. The contract cannot be performed due to the reasons beyond the control of both parties.</td>
</tr>
<tr>
<td>14.</td>
<td>(c)</td>
<td>Material alterations include all those alterations which in a significant way affect rights and duties of the parties</td>
</tr>
<tr>
<td>15.</td>
<td>(d)</td>
<td>Actual performance and attempted performance. When both the promisor do what they have promised to do, the contract is set to be performed</td>
</tr>
<tr>
<td>16.</td>
<td>(b)</td>
<td>During intervening period between anticipatory breach and actual breach if supervening impossibility takes place, the promisee loses his right to claim compensation.</td>
</tr>
<tr>
<td>17.</td>
<td>(d)</td>
<td>The promisee can wait till the due date of performance for claiming damages or the promisee can immediately recent the contract and sue the promisor for compensation.</td>
</tr>
</tbody>
</table>

18. Alteration.

19. Waiver
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20.</td>
<td>Official assignee/ official receiver.</td>
</tr>
<tr>
<td>21.</td>
<td>An actual breach</td>
</tr>
</tbody>
</table>
CHAPTER 13: REMEDIES FOR THE BREACH OF CONTRACT

1. (a) The basic idea of providing compensation to the aggrieved party is to put him in the same financial position as he would have been if the contract had been performed.

2. (a) Difference between contract price and market price.

3. (d) When the party does not fulfill his obligation or refuses to fulfill it or disabled himself from fulfilling it is known as breach of contract.

4. (b) Nominal damages are awarded, when the court is of the opinion that aggrieved party has not suffered real loss.

5. (b) Damages for actual loss to the maximum of liquidated damage will be awarded. The court will make assessment of actual loss and grant damage for compensating that loss.

6. (d) Mr. A can claim depreciation on machine and fixed expenses only such as salary. Compensation may be granted only for depreciation, fixed expenses and salary. The loss of profit is a remote and indirect loss.

7. (b) To perform what he has promised to perform. Specific performance means actual carrying out of a contract as agreed.

8. (c) Special damages are due to special losses which are in the reasonable contemplation of the parties at the time of formation of contract.

9. (c) Entitled to claim Rs. 100/- per bag of sugar. Natural and direct losses may, vary situation to situation depending on nature of transaction and prevailing circumstances.

10. (a) When a parties to a contract at the time of formation of contract, specify a sum, such sum is called liquidated damages.

11. (d) Being an aggrieved party Mr. A can claim expenses, medical expenses and financial loss by the death of his wife.

12. (c) Special losses are those losses which do arise from special circumstances, which are attached to a contract.

13. (d) The aggrieved party, Mr. A can claim cost of rebuilding the house, loss of rent and compensation to third party.

14. (d) If a party has made a promise for not doing something, to prevent such party from doing that act and order of injunction may be claimed by an aggrieved party.

15. (a) Direct and natural loses arising out of breach. These damages are granted for the losses, which are direct and general in nature.

16. Breach of contract

17. Ordinary damages

18. Special damages


20. An injunction.
CHAPTER 14: INDEMNITY & GUARANTEE

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c) A contract of guarantee is a contract to perform the promise of a third party in case of his default.</td>
</tr>
<tr>
<td>2.</td>
<td>(a) A surety can be discharged by giving notice to the creditor in case of continuing guarantee.</td>
</tr>
<tr>
<td>3.</td>
<td>(c) The term indemnity means to make good the loss or to compensate the party.</td>
</tr>
<tr>
<td>4.</td>
<td>(b) If the indemnity holder has incurred an absolute liability even though he himself has paid nothing, he is entitled to ask the indemnifier to indemnify him.</td>
</tr>
<tr>
<td>5.</td>
<td>(c) A contract of indemnity is said to be implied when it is to be inferred from the conduct of the parties.</td>
</tr>
<tr>
<td>6.</td>
<td>(a) When a guarantee extends to a series of transactions it is called continuing guarantee.</td>
</tr>
<tr>
<td>7.</td>
<td>(c) This is a contract of specific guarantee because the contract is an indivisible transaction. The lease for 10 years is entirely an indivisible transaction and cannot be classified as a series of transaction.</td>
</tr>
<tr>
<td>8.</td>
<td>(d) The surety’s estate remains liable for the past transactions, which have already taken place before the death of surety.</td>
</tr>
<tr>
<td>9.</td>
<td>(c) After the surety makes payment, he becomes a creditor of the principal debtor and can recover any amount he has paid rightfully.</td>
</tr>
<tr>
<td>10.</td>
<td>(c) As the liability has become certain, Mr. Bilal can claim the amount from Mr. Abdullah.</td>
</tr>
<tr>
<td>11.</td>
<td>(c) Patience on the part of a creditor to sue the principal debtor or to enforce any other remedy against him does not discharge the surety.</td>
</tr>
<tr>
<td>12.</td>
<td>(a) If an alteration is made without the consent of the surety then the surety is discharged as to the transactions, subsequent to the alteration.</td>
</tr>
<tr>
<td>13.</td>
<td>(b) If an alteration is made without the consent of the surety then the surety is discharged as to the transactions, subsequent to the alteration.</td>
</tr>
<tr>
<td>14.</td>
<td>(c) Mr. A is discharged from the liability to the amount of the value of the furniture.</td>
</tr>
<tr>
<td>15.</td>
<td>(c) Where there are co-sureties, the release by the creditor of one of them does not discharge the other surety.</td>
</tr>
</tbody>
</table>

16. Principal debtor
17. Subrogation
18. Third person
19. Maximum amount
20. Creditor
CHAPTER 15: BAILMENT AND PLEDGE

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(d)</td>
<td>The Pledge is the bailment of the goods for the security of a debt.</td>
</tr>
<tr>
<td>2.</td>
<td>(d)</td>
<td>A bailment is the delivery of goods by one person to another for the accomplishment of some purpose.</td>
</tr>
<tr>
<td>3.</td>
<td>(d)</td>
<td>A delivery is said to be constructive where it is made by doing anything which has the effect of putting goods in the possession of the intended bailee.</td>
</tr>
<tr>
<td>4.</td>
<td>(b)</td>
<td>A sub-bailee is the person to whom the actual possession of goods is transferred by bailee. Where the bailee sub-bails the goods, the relationship between the owner and the sub-bailee is that of bailor and bailee.</td>
</tr>
<tr>
<td>5.</td>
<td>(d)</td>
<td>It is the right of the pawnee to retain the goods for the payment of the debt, for the interest of the debt and for all the necessary expenses incurred by the pawnor for the preservation of the pledged goods.</td>
</tr>
<tr>
<td>6.</td>
<td>(d)</td>
<td>The pawnee has a right to claim payment of the debt, interest of the debt and all necessary expenses incurred by the pawnee in respect of the possession or for the preservation of the goods pledged.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>Gratuitous bailment is a type of bailment where no consideration passes between the bailor and the bailee.</td>
</tr>
<tr>
<td>8.</td>
<td>(a)</td>
<td>Where the bailee sub-bails the goods with the authority of the owner, the relationship between the owner and the sub-bailee is that of bailor and bailee.</td>
</tr>
<tr>
<td>9.</td>
<td>(c)</td>
<td>The right of the pawnee of the retainer over the pledged goods extends to subsequent advances also unless otherwise agreed upon.</td>
</tr>
<tr>
<td>10.</td>
<td>(c)</td>
<td>The bailee in possession of goods of the bailor cannot sale or pledge the goods.</td>
</tr>
<tr>
<td>11.</td>
<td>(c)</td>
<td>Where a person has obtained possession of the goods and he pledges those goods before the contract has been rescinded, the pawnee acquired a good title if he acts in good faith.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>On the basis of benefit, bailment can be made for the exclusive benefit of bailor and bailee and for the mutual benefit of bailor and bailee.</td>
</tr>
<tr>
<td>13.</td>
<td>(d)</td>
<td>XYZ bank can file a suit for the recovery of the defaulted amount or after giving reasonable notice to ABC Limited may sell the shares to recover the defaulted amount and sue ABC Limited for the remaining amount.</td>
</tr>
<tr>
<td>14.</td>
<td>(c)</td>
<td>The pawnor is acting in bad faith and he is deliberately and intentionally concealing the fact that he has no authority to pledge.</td>
</tr>
<tr>
<td>15.</td>
<td>(d)</td>
<td>In order to create a valid pledge there must be delivery of goods. It means that the possession of goods must be transferred.</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Delivery.</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Actual, constructive.</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Owner.</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Pawnee, pawnor.</td>
</tr>
</tbody>
</table>
# CHAPTER 16: AGENCY

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(a)</td>
<td>As between the principal and third person any person may become an agent. Even a minor or a person of unsound mind can be appointed as agent.</td>
</tr>
<tr>
<td>2.</td>
<td>(c)</td>
<td>An agent has authority in emergency to do all such acts for the purpose of protecting his principal from loss.</td>
</tr>
<tr>
<td>3.</td>
<td>(c)</td>
<td>There is no legal agreement between the agent and the third party. However, the agent may negotiate the terms of a contract between the principal and the third party.</td>
</tr>
<tr>
<td>4.</td>
<td>(d)</td>
<td>The principal is bound by the acts of the sub-agent and the sub-agent is responsible for his acts to the agent.</td>
</tr>
<tr>
<td>5.</td>
<td>(a)</td>
<td>When an agent is appointed by deed, he is given a power of attorney to act for the principal.</td>
</tr>
<tr>
<td>6.</td>
<td>(b)</td>
<td>The person who has been named as principal might then choose to accept the contract with the third party. Ratification means giving approval to something.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>The notice cannot be ratified because no act can be ratified which result in third party to damages.</td>
</tr>
<tr>
<td>8.</td>
<td>(c)</td>
<td>Since ratification has a retrospective application it is necessary that the ratifier must be competent to contract at the time when the contract is entered into and also at the time of ratification.</td>
</tr>
<tr>
<td>9.</td>
<td>(b)</td>
<td>The agent is entitled to his agreed remuneration or if there is no agreement to a reasonable remuneration.</td>
</tr>
<tr>
<td>10.</td>
<td>(a)</td>
<td>Where the appointment of sub-agent is made without authority, the agent stands as a principal towards such a sub-agent.</td>
</tr>
<tr>
<td>11.</td>
<td>(b)</td>
<td>Agency by necessity occurs when an emergency requires that one party (the agent) has to take action to protest the interest of the other party (the principal).</td>
</tr>
<tr>
<td>12.</td>
<td>(b)</td>
<td>Mr. Y is liable for the loss of goods put in another warehouse because he has not acted according to the direction of his principal.</td>
</tr>
<tr>
<td>13.</td>
<td>(b)</td>
<td>An agent has a right to retain his principal's money in his hands for all money due to himself.</td>
</tr>
<tr>
<td>14.</td>
<td>(b)</td>
<td>The termination of authority of an agent takes effect as against third party when it comes to the knowledge of the third party</td>
</tr>
<tr>
<td>15.</td>
<td>(d)</td>
<td>Agency by necessity occurs when an emergency requires that one party (the agent) has to take action to protest the interest of the other party (the principal).</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Lien</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Agency by Estoppel</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Del Credere Agent</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Principal</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Criminal act</td>
</tr>
</tbody>
</table>
### CHAPTER 17: PARTNERSHIP ACT

1. **(c)** In Pakistan partnership arises from contract and not from status.

2. **(c)** There must exist a mutual agency relationship among partners. Mutual agency relationship means that each partner is both an agent and a principal.

3. **(c)** It is the duty of the partner to do all such acts for the purpose of protecting their firm from loss as would be done by a person of ordinary prudence, in his own case.

4. **(b)** A partnership does not have a legal personality. Unlike a company, it is not a legal person.

5. **(d)** The shares are deemed to be partnership property. Any property purchased with partnership money without other partners consent will be deemed to be partnership property.

6. **(b)** The liability of all the partners is not only joint and several but is also unlimited.

7. **(d)** With the consent of all the partners for the time being a minor may be admitted to the benefits of partnership but cannot become a partner.

8. **(c)** A minor's share is liable for the acts of the firm. But the minor is not personally liable for any such act as his liability is limited.

9. **(c)** It is the duty of every partner to use the property of the firm exclusively for the purposes of the business of the firm.

10. **(d)** The firm is liable to make good the loss means all the partners will be liable for the misappropriation as security was given to Mr. A while he was acting within the scope of his apparent authority.

11. **(d)** A restriction in partnership deed is effective only against the person dealing with the firm having knowledge of it.

12. **(d)** Mr. C will be liable to pay the price. Mr. C by keeping quiet had led Mr. B to believe that Mr. A is a partner.

13. **(c)** When minor elects to become a partner, he is personally liable since the date of admission to the benefits of the firm.

14. **(b)** Where a partner makes for the purpose of the business, any payment or advance, he is entitled to interest on it @ 6% per annum or as agreed upon.

15. **(d)** It is the restriction on the implied authority of the partner that a partner cannot transfer immovable property of the firm without the express authority from the other partners.

16. Sleeping partner

17. Statutory restrictions

18. Firm, partner

19. Legal representative

20. Six months
### CHAPTER 18: NEGOTIABLE INSTRUMENTS ACT

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>A promissory note is a written and signed unconditional undertaking to pay a certain sum of money to a specified person or his order.</td>
</tr>
<tr>
<td>2.</td>
<td>(c)</td>
<td>A bill of exchange is a written and signed order directing a person to pay a certain sum of money to the bearer of the instrument or to a specified person or his order.</td>
</tr>
<tr>
<td>3.</td>
<td>(b)</td>
<td>The promise must not depend upon the happening of some uncertain event.</td>
</tr>
<tr>
<td>4.</td>
<td>(a)</td>
<td>There are two parties in a promissory note i.e. Maker and Payee</td>
</tr>
<tr>
<td>5.</td>
<td>(a)</td>
<td>Cheque is bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.</td>
</tr>
<tr>
<td>6.</td>
<td>(d)</td>
<td>When the balance in customer’s account is insufficient to meet the cheque, the bank may or may not refuse to honour the cheque.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>It means that once an instrument is received in the hands of the holder in due course it becomes free from all defects.</td>
</tr>
<tr>
<td>8.</td>
<td>(c)</td>
<td>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 i.e. free from defects</td>
</tr>
<tr>
<td>9.</td>
<td>(c)</td>
<td>An inland instrument is made or drawn in Pakistan and also made payable in Pakistan.</td>
</tr>
<tr>
<td>10.</td>
<td>(b)</td>
<td>The cheque is said to be crossed specially where it bears across its face an addition of name of the banker and parallel lines are not necessary.</td>
</tr>
<tr>
<td>11.</td>
<td>(b)</td>
<td>Only a cheque can be crossed when it bears across its face two parallel transverse lines.</td>
</tr>
<tr>
<td>12.</td>
<td>(d)</td>
<td>The effect of restrictive crossing is that the amount collected on the cheque must be credited only to the account of payee.</td>
</tr>
<tr>
<td>13.</td>
<td>(a)</td>
<td>I and II are valid promissory notes because they fulfill all the essential elements of the promissory note.</td>
</tr>
<tr>
<td>14.</td>
<td>(a)</td>
<td>A cheque is said to be crossed generally where it bears across its face an addition of the words “and company” or any abbreviation of it between two parallel transfers lines.</td>
</tr>
<tr>
<td>15.</td>
<td>(c)</td>
<td>The cheque is said to be crossed specially where it bears across its face an addition of name of the banker and parallel lines are not necessary.</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Transferable, written document</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Endorsement</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Allonge</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Specified banker, demand</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Holder</td>
</tr>
</tbody>
</table>
## CHAPTER 19: COMPANY

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>Companies are created by a process known as incorporation, established and governed by the companies Act 2017.</td>
</tr>
<tr>
<td>2.</td>
<td>(d)</td>
<td>The word company means a setup formed and registered under the company law and the body corporate can be regarded as any company registered under any law.</td>
</tr>
<tr>
<td>3.</td>
<td>(b)</td>
<td>It is common for a company to be in existence for many years, during which time its ownership has changed many times. This phenomenon is called perpetual succession or perpetual existence.</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>Separate legal personality means that the law regards a company as a person, separate from its owners. A company is an artificial person.</td>
</tr>
<tr>
<td>5.</td>
<td>(d)</td>
<td>The consequences of separate legal personality includes limited liability of members, separation of ownership and transfer or ownership freely.</td>
</tr>
<tr>
<td>6.</td>
<td>(c)</td>
<td>The liability of the owners of a company for the debts of the company is limited to the amount of their investment in the company.</td>
</tr>
<tr>
<td>7.</td>
<td>(d)</td>
<td>The shareholders will lose what they have invested, but will not be required to pay anymore.</td>
</tr>
<tr>
<td>8.</td>
<td>(c)</td>
<td>The word limited in the name of the company draws the fact of limited liability to the attention of anyone dealing with it.</td>
</tr>
<tr>
<td>9.</td>
<td>(b)</td>
<td>The directors and other officers of a company act on behalf of the company and when they act within their powers, they will not be held personally liable.</td>
</tr>
<tr>
<td>10.</td>
<td>(d)</td>
<td>The repelled companies Act, 1913, Companies Ordinance, 1984 &amp; Companies Act, 2017 comes within the meaning of Company law.</td>
</tr>
<tr>
<td>11.</td>
<td>(a)</td>
<td>Public listed company is a company whose shares and debentures are listed on a stock exchange.</td>
</tr>
<tr>
<td>12.</td>
<td>(a)</td>
<td>Such type of company can be registered by at least 2 members and it restricts the maximum number of members to 50.</td>
</tr>
<tr>
<td>13.</td>
<td>(c)</td>
<td>Holding company can be defined as a company which holds more than 50% in the voting securities of any other company or control the composition of the board of such other company.</td>
</tr>
<tr>
<td>14.</td>
<td>(b)</td>
<td>Association not for profit shall prohibit the payment of any profit or dividend to its members.</td>
</tr>
<tr>
<td>15.</td>
<td>(d)</td>
<td>SECP is the corporate regulatory body which has been vested with adequate operational, administrative and financial autonomy.</td>
</tr>
</tbody>
</table>

### 16. Shares

### 17. Artificial, natural

### 18. An amount, liquidation

### 19. Perpetual succession, perpetual existence

### 20. Listed Company
CHAPTER 20: INCORPORATION OF COMPANY

1. (b) Memorandum of Association is the constitution of the company. It binds all the members of the company.

2. (c) The principal line of business clause is the part and parcel of MOA.

3. (b) An aggrieved person may within 30 days of the order of refusal prefer an appeal to commission.

4. (b) Subscription clause of the memorandum of association of the company cannot be altered in the lifetime of the company.

5. (d) Where alteration involves a transfer of registered office from jurisdiction of one company registration office to another, only then physical record shall be transferred to the other registrar.

6. (c) The company is required to write only the province or part of Pakistan not forming part of the province in its memorandum of association.

7. (c) The public company must only use “Limited” at the end of the name.

8. (c) The certificate of incorporation shall state name & registration of the company, date of incorporation, whether it’s a private or public company and whether its liability is limited or not.

9. (d) Every company, upon the request and payment of a prescribed amount by its member, shall supply a copy of the memorandum and articles of the company.

10. (c) Not the members but only the directors should have paid in cash to the company full amount on each of the shares taken or contracted to be taken.

11. (d) A public company after obtaining certificate of incorporation is also required by law to obtain certificate of commencement of business.

12. (a) The company can change its name by passing a special resolution and obtaining written permission of the registrar.

13. (d) The articles of association can be altered only by passing special resolution in the general meeting.

14. (a) After the change of name, the former name shall also be mentioned for ninety days from the date of issue of the new certificate of incorporation.

15. (b) The registrar may also direct the company to change its name within 30 days of the receipt of such directions.

16. Three-fourth

17. Provisional

18. Capital clause

19. Name, Incorporation number

20. Commission
# CHAPTER 21: SHARE CAPITAL – TYPES & VARIATIONS

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(d)</td>
<td>The members are the shareholders of the company. They are also the owners of the company.</td>
</tr>
<tr>
<td>2.</td>
<td>(a)</td>
<td>When people or promoters pay for the shares, this is termed as subscription of shares then finally shares are allotted to respective names of applicants.</td>
</tr>
<tr>
<td>3.</td>
<td>(c)</td>
<td>The issued share capital may be less than the authorized share capital, but cannot exceed it.</td>
</tr>
<tr>
<td>4.</td>
<td>(b)</td>
<td>The amount of the authorized share capital has to be specified in the company’s memorandum of association and it can be increased only with the approval of the shareholders.</td>
</tr>
<tr>
<td>5.</td>
<td>(c)</td>
<td>When the shares are issued, they must be paid for in full.</td>
</tr>
<tr>
<td>6.</td>
<td>(b)</td>
<td>If the company goes into liquidation with unpaid debts, the maximum amount they will lose is the amount already contributed as share capital.</td>
</tr>
<tr>
<td>7.</td>
<td>(a)</td>
<td>The ordinary shareholders are the owners of their company and ordinary shares are often called ‘equity shares’.</td>
</tr>
<tr>
<td>8.</td>
<td>(c)</td>
<td>Normally, all ordinary shareholders have one vote per share.</td>
</tr>
<tr>
<td>9.</td>
<td>(b)</td>
<td>A preference shareholder has a prior right to receive repayment of capital in the event of winding up of the company.</td>
</tr>
<tr>
<td>10.</td>
<td>(b)</td>
<td>The company, if allowed by the articles and by passing a special resolution can alter the capital clause of its memorandum.</td>
</tr>
<tr>
<td>11.</td>
<td>(a)</td>
<td>The company is required to file the amended copy of the MOA with the registrar within 15 days of passing the resolution.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>Three fourth majority of that particular class must agree to the alteration, in order to make that variation valid.</td>
</tr>
<tr>
<td>13.</td>
<td>(d)</td>
<td>Any member or members of the affected class may apply to the court for an order against the resolution.</td>
</tr>
<tr>
<td>14.</td>
<td>(c)</td>
<td>The person aggrieved by the change may file an application within 30 days of passing of the resolution.</td>
</tr>
<tr>
<td>15.</td>
<td>(b)</td>
<td>The company is required to file a copy of the court to the registrar within fifteen days of the receipt of the order.</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Maximum amount</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Maximum liability</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Paid up</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Distributable profits</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Ordinary shareholders</td>
</tr>
</tbody>
</table>
CHAPTER 22: SHARE CAPITAL - PROSPECTUS

| 1. | (b) | A Shelf Prospectus is a single offering document allowing companies to make multiple offerings. |
| 2. | (c) | The supplement to the prospectus contains updated disclosures and it also provides such information as prescribed by the commission. |
| 3. | (c) | The approval of prospectus is given by the commission and the commission may also impose further conditions or restrictions. |
| 4. | (d) | The prospectus shall be published at least in one Urdu and one English daily newspaper. |
| 5. | (d) | A sufficient number of copies of the prospectus as approved by the commission, shall be made available in six different places. |
| 6. | (c) | The prospectus along with subscription form shall be uploaded on the website of the issuer. |
| 7. | (a) | The prospectus is a document issued for general public and invites offers for sales of company's securities. |
| 8. | (d) | The commission's approval for the prospectus is a necessary requirement but there are certain instances where commission's approval is not necessary. |
| 9. | (b) | A prospectus shall be valid for a period of 60 days from a date of such approval. |
| 10. | (a) | The expert is to be independent and he must not be connected with the company as a promoter, manager or an employee. |
| 11. | (c) | If the company is not issuing shares to the general public initially then the company would be required to file a statement in lieu of the prospectus with the registrar. |
| 12. | (c) | The securities exchanges in addition to the commission are also regulators who regulate the issuance of prospectus. |
| 13. | (c) | Prospectus is not like something the memorandum and article of association. Once issued and securities allotted, its existence ends. |
| 14. | (b) | The issuer, shall not less than 21 days before the proposed date of publication, submit a copy to the commission for approval. |
| 15. | (d) | The prospectus shall not be published in the newspaper less than 7 days or more than 30 days before the commencement of public subscription. |
| 16. | Shelf-prospectus, supplement to the prospectus |
| 17. | Risk factors |
| 19. | Seven days, thirty days |
| 20. | Securities |
CHAPTER 24: MEETINGS

1. (c) An AGM is a meeting of the members of the company and they have a right to vote at and attend such meetings.

2. (c) When a private company converts itself into a public company within one year of its incorporation it shall also be required to hold such meeting.

3. (a) Statutory report shall be send to the members at least twenty one days before the date of statutory meeting.

4. (b) The first AGM shall be held within 16 months from the date of its incorporation thereafter at least once in a calendar year.

5. (a) The timing of AGM may be extended upto a maximum of 30 days.

6. (b) The notice of an AGM shall be published in an Urdu and an English daily newspaper having nationwide circulation.

7. (d) All the mentioned conditions must be fulfilled in order to request the company for video link facility.

8. (c) The meeting should be held and conducted within 90 days of filing of the requisition.

9. (d) In order to declare meeting invalid, members having 10% or more voting rights can apply to court within 30 days of the meeting.

10. (d) The meeting shall be dissolved if it was called on the request of the members.

11. (c) On show of hands every member shall exercise one vote per share.

12. (d) If more than one proxy is appointed for any one meeting, all appointment of proxies shall be invalid.

13. (a) The company shall provide the members certified copied within 7 working days of receipt of his request.

14. (b) The records must be kept for at least 20 years in physical form and permanently in electronic form.

15. (c) Passing of resolution by the members through circulation is allowed except for the ordinary businesses of AGM.

16. An annual general meeting (AGM)

17. Special resolutions

18. Chairman

19. Poll

20. Notice of meeting
**CHAPTER 25: MANAGEMENT**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>(c)</td>
<td>First directors shall be decided by the subscribers of memorandum and their particulars shall be submitted along with the documents for incorporation.</td>
</tr>
<tr>
<td>2.</td>
<td>(b)</td>
<td>Subsequent Chief Executive shall be appointed within 14 days of the elections of the directors.</td>
</tr>
<tr>
<td>3.</td>
<td>(d)</td>
<td>A person shall not be appointed as a director of a listed company if he has been declared as defaulter in repayment of loan to a financial institution.</td>
</tr>
<tr>
<td>4.</td>
<td>(c)</td>
<td>If a director absents himself from the three consecutive meetings of the board of directors, he shall be treated to have vacated the office.</td>
</tr>
<tr>
<td>5.</td>
<td>(c)</td>
<td>A company is not allowed to contribute any amount to any political party or for any political purpose.</td>
</tr>
<tr>
<td>6.</td>
<td>(d)</td>
<td>The Companies Act, 2017 has not provided the maximum number of director for any type of company.</td>
</tr>
<tr>
<td>7.</td>
<td>(b)</td>
<td>The quorum for a meeting of directors of a listed company will not be less than one-third of their number or 4 whichever is greater</td>
</tr>
<tr>
<td>8.</td>
<td>(c)</td>
<td>Although being part of the board of directors, he reports to the board of directors.</td>
</tr>
<tr>
<td>9.</td>
<td>(b)</td>
<td>Existing directors decide the number of directors for the next term at least 35 days before the date of meeting.</td>
</tr>
<tr>
<td>10.</td>
<td>(b)</td>
<td>Every person interested in contesting the election of the directors sends the notice of his interest to the company at least 14 days before the meeting.</td>
</tr>
<tr>
<td>11.</td>
<td>(a)</td>
<td>The casual vacancy in a board of a listed company must be filled by the directors within 90 days from the date of the vacancy.</td>
</tr>
<tr>
<td>12.</td>
<td>(c)</td>
<td>Members holding 10% of the voting power in the company may apply to the court within 30 days of the election of the directors to declare it invalid.</td>
</tr>
<tr>
<td>13.</td>
<td>(a)</td>
<td>Upon receiving such requisition the board shall within 30 days, proceed to hold fresh elections of directors of the company.</td>
</tr>
<tr>
<td>14.</td>
<td>(b)</td>
<td>A person cannot be appointed as director of a company for the period of 5 years from the court order.</td>
</tr>
<tr>
<td>15.</td>
<td>(b)</td>
<td>The directors of a public company are required to meet at least once in each quarter of a year.</td>
</tr>
<tr>
<td>16.</td>
<td></td>
<td>Listed subsidiary.</td>
</tr>
<tr>
<td>17.</td>
<td></td>
<td>Creditors</td>
</tr>
<tr>
<td>18.</td>
<td></td>
<td>Three years</td>
</tr>
<tr>
<td>19.</td>
<td></td>
<td>Directorships</td>
</tr>
<tr>
<td>20.</td>
<td></td>
<td>Share registrar</td>
</tr>
</tbody>
</table>
CHAPTER 26: INVESTMENT AND DIVIDENDS

1. (b) Directors of the company can make an investment or disinvestment decision.

2. (c) Directors will have to get its approval from members in a general meeting through a special resolution.

3. (d) All the investments of the company must be made and held in the name of the company itself and not in the name of any other person.

4. (b) The company cannot change or vary the terms of investments without passing a special resolution in the general meeting.

5. (a) The register is open to inspection of the members free of cost for at least two hours daily.

6. (b) Certified copies of register requested shall be issued within seven days.

7. (a) The amount of final dividend will be approved by the members in Annual General Meeting of the company.

8. (a) The directors of the company may proposed and pay interim dividend before the end of the year.

9. (d) The members may reduce, accept or reject the dividend as proposed by the director.

10. (c) Dividend warrants can be credited into the bank account of member of the company.

11. (c) In case of default regarding payment of dividend, Chief Executive of the company may be fined.

12. (d) Members cannot resolve to increase the amount of dividend as proposed by directors.

13. (b) Chief executive of the company may be fined for an amount upto Rs. 5 Million along with imprisonment for a term which may extent to two years.

14. (d) The expression investment shall include loans, advances, equity, guarantees by whatever name called or any amount which is not in the nature of normal trade credit.

15. (a) Chief executive shall be ineligible to become a director or CEO of any company for the next five years.

16. Interim dividend

17. Cash, Shares

18. Unrealized gain

19. Listed company

20. Immovable property, Capital nature
**CHAPTER 27: ACCOUNTS**

1. (a) Books of accounts for a period of at least 10 years immediately preceding a financial year must be preserved in good order.

2. (b) The directors of the company may opt to keep these books at some place other than registered office of the company.

3. (a) The directors are entitled to inspect the books of the accounts during business hours.

4. (c) The first financial statements of the company shall be presented before the meeting within 16 months from the date of incorporation.

5. (c) In case of a listed company, the financial statements shall also be signed by the chief financial officer of the company.

6. (b) The financial statements of a single member company shall be signed by one director.

7. (a) The requirement of filing of accounts shall not apply to a private company having paid up capital not exceeding Rs. 10 million.

8. (a) The requirement of audit is not applicable to a private company having paid up capital not exceeding Rs. 1 million.

9. (d) Director shall make a report containing statements regarding the state of the affairs of the company, any amount recommended as dividend and any amount transferred to any reserve account.

10. (b) The requirement of preparing a directors report is not applicable a private company having the paid up capital not exceeding Rs. 3 million.

11. (d) The directors’ report of a public company shall address all the material changes occurred during the financial year which affect the business of the company, any of its subsidiaries or any company in which the company has interest.

12. (d) Director’s report and the statements of compliance must be approved by the board and signed by the chief executive officer and a director of the company.

13. (d) The quarterly financial statements shall be transmitted electronically within the specified period to the Commission, Securities exchanges and Registrar.

14. (d) The directors are required to file a notice to the registrar within 7 days of passing the resolution in their meeting.

15. (b) Copy of audited financial statements, auditors’ report and directors’ report shall be sent to every member at his registered address at least 21 days before the meeting.

16. Member

17. Pattern of shareholding

18. Authentication

19. Cost accounts

20. Directors’ report
2020

BUSINESS LAW

Objective Based Practice Questions