

**INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN**

**EXAMINERS' COMMENTS**

<b>SUBJECT</b>	<b>SESSION</b>
Business Law	Certificate in Accounting and Finance – Spring 2021

**Passing %**

Question-wise											Overall
1	2	3	4	5	6	7	8	9	10	11	
77%	12%	48%	37%	18%	70%	7%	36%	60%	14%	53%	43%

**General comments**

Significant improvement in performance was observed in this session as 43% examinees secured passing marks as compared to 35% and 28% respectively in the immediate previous sessions.

Poor performance was observed in question number 2, 5, 7 and 10 which may largely be attributed to selective studies and failure to identify and apply relevant knowledge of law to scenario based questions. Examinees are advised that while attempting the scenario based questions, first determine the core issue(s) then identify and apply the relevant provisions of law applicable to the issue.

**Question-wise common mistakes observed**

**Question 1**

- Performance in MCQ no. (i), (iii), (x), (xvii), (xviii), (xx), (xxvi) and (xxx) was below average.
- Many examinees answered by writing the entire wordings of the correct choice instead of mentioning the correct option number, hence lost precious time.
- Some of the examinees attempted to overwrite their choices instead of clearly mentioning the selected option legibly.

**Question 2**

Most of the examinees did not mention the main topics/areas covered under Part III and Part VI of the Constitution of the Islamic Republic of Pakistan 1973.

**Question 3(a)**

- Examinees just wrote the heading of circumstances when an agent shall be personally liable under a contract entered on behalf of principal but did not describe them.
- Few examinees wrote the same circumstance multiple times using different words / terminologies just to show six circumstances.

**Question 3(b)**

- Examinees did not cover all the requirements under this part of the question and focused only on the validity of the pledge thereby ignoring to discuss the status of agreement between Maria and EJ.
- Many examinees were not able to comprehend that the contract between Maria and EJ was voidable at the option of EJ due to fraud committed by Maria.
- Examinees failed to establish that the pledge was valid since Maria pledged the necklace before the contract was rescinded by EJ.

**Question 4(a)**

- Some of the examinees were not able to ascertain that the validity of the contract was entirely dependent on Aliya's state of mind at the time of making the agreement with Salma.
- Few examinees only provided conclusion without providing the grounds on which conclusion was based.

**Question 4(b)**

- Only few examinees comprehended that the contract between Rehan and Salman was partly valid to the extent of supply of cotton yarn and partly void to the extent of restricting them from enforcing their rights through legal proceedings.
- Most of the examinees declared the entire contract void. In many cases, examinees only reproduced wordings of the law i.e. "*Agreement in restraint of legal proceedings is void.*" and ignored application of their knowledge to the given scenario.

**Question 5(a)**

- Examinees did not address the rights and limitations of the bank being transferee of partners' interest in the dairy business. Many answers were general in nature i.e. right of bank to earn interest on the outstanding amount of the loan, right of the bank to sue in case of non-payment of any loan installment etc.
- Some of the examinees incorrectly determined that the bank was entitled to hold Malik, Asif and Sohail jointly liable in case of default in repayment of loan.
- While establishing rights of the bank, examinees failed to highlight that the bank can have access to partnership accounts only in case of dissolution of firm.

**Question 5(b)**

- Only few examinees mentioned that Tahira and Farhana would be justified in their demand if there was an agreement between partners restraining Sadia from carrying on any business other than that of the firm while she is a partner.
- Examinees incorrectly concluded that businesses in given scenario were competing in nature and therefore should have been disclosed to all other partners.
- Examinees did not cover some of the key aspects in their evaluation i.e. the possibility of Sadia misusing the resources of the partnership firm by using firm's name, property or business connections to benefit her jewelry business.

**Question 6(a)**

Good performance was observed in this part of the question.

**Question 6(b)**

- Examinees were not able to identify the negotiable instrument in sub-part (ii) of the question as bill of exchange.
- Examinees entirely ignored the requirement of determining the validity of the given negotiable instruments along with proper reasoning and gave incomplete answers by only identifying the type of the given instruments.

**Question 7(a)**

- Examinees were not aware of time limit within which subscription money should be received by WDL i.e. within 30 days from the date of incorporation.
- Examinees were not able to determine the existing status of Aijaz as member and debtor of WDL and implications on his status in case of non-payment of subscription money within the prescribed time i.e. cancellation of his shares and removal of his name from WDL's register of members.
- Examinees were not able to determine the implications for WDL in case of non-payment of subscription money by Aijaz within the prescribed time i.e. WDL not being able to exercise borrowing powers and start its operations.

**Question 7(b)**

While determining the duties of WDL on receipt of subscription money from Aijaz within prescribed time, examinees did not cover the key aspects i.e. reporting the receipt of subscription money to the registrar within 45 days from the date of incorporation accompanied by a certificate from a practicing Chartered Accountant or Cost and Management Accountant verifying receipt of the money so subscribed.

**Question 8(a)**

Some of the examinees repeated the contents to be included in the directors' report multiple times using different words/terminologies just to cover ten contents.

**Question 8(b)**

- Instead of assessing the given scenario, examinees mentioned the filing requirements of revised financial statements after adoption by members in the next annual general meeting, which was not a requirement of this part of the question.
- Majority of the examinees incorrectly stated the procedure of issuing notice of meeting and circulating financial statements before annual general meeting.

**Question 9(a)**

Good performance was observed in this part of the question.

**Question 9(b)**

Some of the examinees were not able to correctly determine the procedure for taking poll in general meeting.

**Question 10(a)**

- Examinees did not realize that Ali ceased to hold office as chief executive after becoming ineligible to act as a director of any listed company. Many examinees incorrectly comprehended that Ali will have to be removed from his position at the discretion of PL's shareholders/directors.
- Examinees did not cover the action needed from PL's side i.e. appointment of new chief executive within the prescribed period.

**Question 10(b)**

- Examinees were not able to establish that STL and JL are associated companies by virtue of common directorship.
- Many examinees did not realize that a special resolution passed by members of STL would be required before acquiring further shares in JL.

**Question 11**

Some of the examinees mentioned different types of formation of companies instead of identifying the distinguishing features.

*(THE END)*