



March 13, 2001

MERCANTILE LAW
FE-1 (PAPER-4) / SPECIAL MODULE

(MARKS 100)
(3 hours)

- Q.1 With reference to the Contract Act, 1872, you are required to answer the following:
- (a) What is meant by consideration? **(04)**
- (b) What are the legal rules governing consideration? **(04)**
- (c) What are the rights of surety against the principal debtor? **(05)**
- (d) Briefly explain the remedies available to an aggrieved party in the case of breach of a contract? **(06)**
- Q.2 Shamsila, a specialist doctor is running a hospital in Lahore. She employed another lady doctor Rizwana, as a physician for a period of three years on a salary of Rs.20,000 per month. The agreement between Dr. Shamsila and Dr Rizwana provided that after the termination of her employment Dr. Rizwana should not practice as a doctor in Lahore within a radius of 20 kilometers of her hospital for a period of one year, and if Dr. Rizwana did so, she should pay Rs.240,000 (one year salary) to Dr. Shamsila's hospital as **'liquidated damages'**. Immediately after the completion of her contract, Dr. Rizwana begins to practice as a physician next door to Dr. Shamsila's hospital.
- Dr. Shamsila sued Dr. Rizwana for the recovery of Rs.240,000.
- You are required to answer the relevant provisions of law along with reasons whether Dr. Shamsila will be able to recover the liquidated damages from Dr. Rizwana or not. **(09)**
- Q.3 (a) What are the rights and duties of an agent? **(04)**
- (b) How is an agency terminated? **(04)**
- (c) How the agency can be constituted. **(04)**
- Q.4 With reference to the law of Sale of Goods, you are required to answer the following:
- (a) What is meant by Specific goods, Ascertained goods and Unascertained goods? **(06)**
- (b) When does the property in unascertained goods passes in a Contract of Sale? **(05)**
- Q.5 (a) Differentiate between the negotiation by delivery and negotiation by endorsement. **(05)**
- (b) Define the different ways of discharge of negotiable Instruments under the Negotiable Instrument Act 1881. **(05)**
- Q.6 "A contract of affreightment is made either by a charter party or by a bill of lading"
Explain the following with reference to the above statement:
- (a) Contract of affreightment. **(03)**
- (b) Charter party. **(03)**
- (c) Bill of lading. **(03)**

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(2)

- Q.7 With reference to the Partnership Act, 1932, you are required to answer the following:
- (a) What is meant by the implied authority of a partner? **(04)**
 - (b) Which acts of a partner are not covered under the implied Authority? **(05)**
 - (c) Briefly explain the term “holding out”. **(05)**
- Q.8
- (a) How is a trust created? **(04)**
 - (b) What are the duties of a trustee? **(04)**
- Q.9 With reference to the law of insurance, briefly explain the following:
- (a) Reinsurance **(04)**
 - (b) Double Insurance **(04)**

(THE END)



September 07, 2001

MERCANTIL LAW

(MARKS 100)

FE-1 (PAPER-4) AND MODULAR (B5) MODULE 'B', 'SM'2, '3A', '5' & '8'

(3 hours)

- Q.1 With reference to the Contract Act, 1872, you are required to answer the following:
- (a) Distinguish between a contract of indemnity and a contract of guarantee. **(06)**
 - (b) What are the circumstances in which a surety is discharged from liability? **(06)**
 - (c) What are the essentials for a valid acceptance? **(03)**
- Q.2 (a) Briefly explain 'agency by ratification' ? **(03)**
(b) State the conditions which are required to be fulfilled for a valid ratification. **(04)**
- Q.3 Under the Contract Act 1872, contracts may be classified in terms of their form, or in terms of their enforceability, or the way they are created.
In the context of the above statement, you are required to answer the following:
- (a) Briefly describe express and implied contracts. **(08)**
 - (b) Enumerate the types of contracts in terms of their form. **(05)**
 - (c) Briefly explain about the classification of contracts in terms of their enforceability or validity. **(05)**
- Q.4 With reference to the law of sale of goods, you are required to answer the following:
- (a) Briefly explain the statutory rights of an unpaid seller? **(04)**
 - (b) How is the price ascertained? **(04)**
- Q.5 (a) Distinguish between a promissory note and a bill of exchange **(06)**
(b) State the circumstances in which a banker must refuse to honour his customer's cheques. **(06)**
- Q.6 With reference to law of carriages, briefly explain the following:
- (a) Air consignment note. **(05)**
 - (b) Bill of lading **(05)**
- Q.7 With reference to the Partnership Act, 1932, you are required to answer the following:
- (a) What do you understand by dissolution of a firm and dissolution of a partnership? **(02)**
 - (b) What are the rights of a partner on dissolution? **(04)**
 - (c) What is the procedure for registration of a firm? **(04)**
- Q.8 (a) What are the rights and powers of a beneficiary of a trust? **(06)**
(b) Under what circumstances a trust may be revoked? **(04)**
- Q.9 (a) What are the main characteristics of a fire insurance contract? **(05)**
(b) With reference to marine insurance, you are required to briefly explain the different kinds of losses. **(05)**

(THE END)



March 08, 2002

MERCANTILE LAW
FE-1 PAPER 4 - MODULAR B5, SM-2, 3A, 5 & 8

(MARKS 100)
(3 hours)

- Q.1 A appointed B, who is minor, as his agent and gave him a computer worth Rs.50,000 and asked him not sell it for less than Rs.55,000. B sold the computer to C for Rs.40,000. A claimed that contract is not binding because B is a minor. You are required to answer the following:
- (a) Whether minor can be appointed as an agent? 08
- (b) Briefly comment on the claim of A?
- (c) Whether A can claim damages from B for his misconduct? 08
- Q.2 Anwar, a builder, entered into a contract with Badar to build a Movie Theatre and set up air-conditioning in it at a total cost of Rs.1,000,000/-. Anwar gave Badar Rs.50,000/- as an advance and agreed to pay the balance on completion of work. When the work was about to be completed the Theatre was destroyed by fire.
- What are the rights of above parties in this situation? 06
- Q.3 (a) What are the exceptions to the rule “that an agreement made without consideration is void?” 08
- (b) Define contract of indemnity and contract of guarantee? 03
- (c) Describe the reasons/events due to which an offer lapses. 05
- Q.4 (a) What are QUASI contracts? 05
- (b) Discuss the circumstances in which an agency is terminated. 05

- Q.5 (a) With reference to Negotiable Instrument Act answer the following:
- (i) What is discharge of an instrument and how an instrument may be discharged? **03**
 - (ii) When a negotiable instrument is dishonoured by non payment, what is the effect of such dishonour? **03**
- (b) What is the general crossing of cheque and what is its effect? **03**
- Q.6 (a) A promises B to pay him Rs.500 and all other sums which shall become due to him and in this respect executed an instrument in writing. Explain alongwith reasons whether the instrument is a promissory note? **05**
- (b) What are the implied conditions in a contract for the carriage of goods by sea? **03**
- (c) With reference to the law relating to carriage of goods by air, what are the rights of a consignee? **03**
- Q.7 With reference to the law of Sale of Goods, if the goods are destroyed, what would be the legal position of buyer and seller in the following cases:
- (a) If they are destroyed before the Contract of Sale is made **05**
 - (b) If they are destroyed after the Contract of Sale is made **05**
- Q.8 With reference to the Partnership Act, 1932, you are required to answer the following:
- (a) How can a partner be expelled? **04**
 - (b) What are different modes of retirement of a partner from a partnership firm? **04**
- Q.9 Describe the circumstances in which the Court may dissolve a firm? **07**
- Q.10 (a) Define condition of average clause with reference to fire insurance policy? **05**
- (b) Define contract of marine insurance. **02**
- Q.11 With reference to Trust Act answer the following:
- (a) What purposes of trust are unlawful? **04**
 - (b) When office of a trustee is vacated? **02**
 - (c) Who can create a trust? **02**

(THE END)



September 06, 2002

MERCANTILE LAW
FE-1 PAPER 4 – MODULE B Paper B5

(MARKS 100)
(3 hours)

Q.1

- (a) State whether following are contingent contract or otherwise, giving brief reasons for your answer. Please also explain that in case of contingent contract when it will be enforceable by law.
- i) A agrees to pay B Rs. 50,000 if he proves that two straight lines can enclose a space.
 - ii) A agrees to construct a building for B for Rs. 1,000,0000 on the condition that the payment will be made on completion of building.
 - iii) A agrees to sell his house to B for Rs. 100,000 if his father does not return within two years from United States of America.
 - iv) A agrees to pay Rs. 2,000 to B, if B marries C. B marries D, but after a month D dies, and B marries C. **(06)**
- (b) How the payment shall be appropriated when a debtor owes several distinct debts to one person and makes part payment to him? **(06)**
- (c) What are different ways in which a continuing guarantee can be revoked? **(08)**

Q. 2

- (a) Explain what effects following have on the validity of a contract:
- i) unilateral mistake of law in force in Pakistan
 - ii) unilateral mistake as to matter of fact
 - iii) mutual mistake of foreign law **(03)**
- (b) What are the circumstances in which contract is not voidable on account of misrepresentation? Give illustrations in support of your answer. **(05)**
- (c) What are rights and liabilities of principal, agent and sub-agent when:
- i) sub-agent is properly appointed
 - ii) sub-agent is improperly appointed **(06)**

- Q.3 Ahmed of Lahore, offered, by letter, to sell some specific property to Babar of Karachi for Rs. one million. The letter of offer was posted on 1st April, which reached Babar on 5th April. Babar posted his letter of an acceptance on 7th April, which reached Ahmed on 11th April.
How would the contract be affected if:
- i) Ahmed posts a letter of revocation of offer on 6th April, which reaches Babar on 10th April.
 - ii) Babar dispatches a telegram canceling his acceptance which reaches Ahmed on 10th April. **(06)**
- Q.4 (a) Abdullah agrees to sell 600 bags of sugar to Yacoob at a price to be fixed by Zubair. Thereafter Abdullah supplies 300 bags of sugar to Yacoob but Zubair refuses to fix up the price. The Abdullah asks Yacoob to immediately return 300 bags of sugar already supplied to him, whereas Yacoob demands the supply of remaining 300 bags also.
Comment on the claims of Abdullah and Yacoob. **(04)**
- (b) Describe the various modes in which liability of implied conditions and warranties can be excluded from contract of sale. **(06)**
- Q.5 (a) Describe the persons who can accept the bill of exchange. **(06)**
(b) What are the different types of endorsement? **(06)**
- Q.6(a) What are the main characteristics of a common carrier? **(05)**
- (b) With reference to law of carriages, briefly explain the following:
- i. Through Bill of lading **(02)**
 - ii. Primage **(01)**
- Q.7(a) Arif and Basit are partners in a firm. Qasim the minor son of Basit is admitted to the benefits of the partnership. Soon after the admission of Qasim, Basit dies. And the business of the firm is carried on. During this period, Arif speculates and loses heavily. The creditors of the firm demand the losses from Arif and Qasim. Is Qasim liable personally or his shares of property or profits are liable? Give reasons for your answer. **(05)**
- (b) Enumerate the situations in which the parties are sharing profit but they are not partners. **(05)**
- (c) The partner is entitled to return of premium paid by him for his admission if the firm is dissolved. You are required to answer the following:
- i. what are the factors which should be considered in determining the refundable amount
 - ii. enumerate the cases in which partner is not entitled to the refund of premium. **(04)**
- Q.8(a) Describe the warranties which are implied in a marine insurance policy. **(06)**
(b) With reference to Marine Insurance Act, describe constructive total loss and enumerate the cases in which constructive total loss arises. **(04)**
- Q.9(a) When a trustee is liable for a breach of trust committed by his co-trustee? **(02)**
(b) When a trustee can delegate his office or any of his duties to co-trustee? **(02)**
(c) When a trust is deemed to be properly created? **(02)**

(THE END)



March 07, 2003

MERCANTILE LAW

(MARKS 100)

Module B Paper-B5 & FE-1 Paper-4

(3 hours)

- Q.1 (a) What do you understand by the terms “misrepresentation” and “fraud”? (04)
- (b) Discuss the remedies available to a person induced to enter into a contract by “fraud”. (02)
- (c) What will be the effect on a contract, if one party to the contract remains silent on a fact which is likely to affect the willingness of the other party to enter into the contract? You are required to explain the above with the help of suitable examples. (04)
- Q.2 (a) Explain the acts which constitute ‘misrepresentation’ under the Contract Act, 1872 and describe the circumstances in which the party whose consent is obtained by misrepresentation loses right of rescission of contract? (09)
- (b) What conditions must be satisfied by a person doing ‘non-gratuitous’ act to be entitled to recover compensations? (03)
- (c) Briefly explain the circumstances in which contract becomes void ab initio. What are the rights and liabilities of the party who decides to avoid such contract? (07)
- Q.3 (a) What are the circumstances when a pledge created by a non owner is valid? (08)
- (b) “J”, a jeweler, was entrusted with a diamond by “K” with the instructions that “J” should obtain offers for it, and if any such offer was approved by “K”, “J” should sell it to that specific offerer. Acting on the contrary “J” sold the diamond to “M” who bought it with good faith. Thereafter, “J” absconded with the sales proceed. “K” filed a suit against “M” to recover the diamond. Comment on the claim of “K” against “M”. (03)
- Q.4 With reference to the Negotiable Instruments Act, 1881 you are required to answer the following:
- (a) Under what circumstances a notice of dishonour is not necessary? (06)
- (b) What is the general effect of a material alteration? (03)
- Q.5 (a) With reference to the Sale of Goods Act, 1930, you are required to answer the following in brief:
- (i) What do you understand by the terms “Upset price” and “Knock out Agreement”? (04)
- (ii) What is the effect on the contract of sale where the price has been raised by means of pretended bidding? (02)

(2)

- (b) With reference to Sale of Goods Act, 1930, enumerate the circumstances in which:
- (i) Goods are deemed to be in the course of transit.
 - (ii) Transit is deemed to come to an end. **(08)**
- Q.6 Describe the circumstances in which common carrier is not liable for any loss or damage to the goods. **(07)**
- Q.7 (a) How will you determine if a group of persons has constituted a 'partnership'? **(04)**
- (b) Is it necessary for a partnership to be registered under the Partnership Act, 1932? If so why? **(03)**
- (c) Arif Brothers, an unregistered partnership firm commenced its business activities in March 1999. Subsequently on 18 March 2000, the firm got registered under the Partnership Act, 1932. The firm sold goods for an amount of Rs. 10,000 to Zia on 15 April 1999. On the failure of Zia to pay the amount on due date the firm filed a suit for the recovery of the said sum on 20 January 2000.
- You are required to comment on the validity of the above suit in the light of the relevant provisions of the Partnership Act, 1932 and discuss briefly the limitations on the capacity of an unregistered firm. **(07)**
- Q.8 (a) Discuss the different clauses in a Fire Insurance Policy. **(06)**
- (b) Explain briefly what do you understand by the term "Salvage". **(03)**
- Q.9 (a) With reference to the Trust Act briefly discuss as to how a trust is extinguished? **(04)**
- (b) Discuss the circumstances in which a trustee may be discharged. **(03)**

(THE END)



September 05, 2003

MERCANTILE LAW
Module B

(MARKS 100)
(3 hours)

- Q.1 (a) A offered to sell his house to B at price of Rs. 2.0 million and promised to keep the offer valid till April 30, 2001. A revoked his offer on April 28, 2001. B accepted the offer on April 29, 2001. B claims that since he accepted the offer before the expiry of its validity, therefore, there is valid agreement between him and A whereas A claims that the offer was withdrawn before the acceptance by B, therefore, there is no binding contract. Comment on the claim made by A and B? (04)
- (b) Briefly describe the various modes for the discharge of contract by mutual agreement? (09)
- Q.2 (a) With reference to the law of guarantee briefly discuss the surety's right to the benefits of the creditor's securities. (04)
- (b) What rights are available under the Contract Act, 1872 to an indemnity holder against the indemnifier, when sued? (05)
- (c) State the conditions that must be fulfilled before the doctrine of ratification can apply to an act of an agent. (07)
- Q.3 (a) Enumerate the acts which amounts to 'coercion' according to the Contract Act, 1872. (02)
- (b) Ahmed chartered Babar's ship at Karachi Port. It was agreed that Ahmed should load her with a cargo of wheat within 45 days. After 20 days Ahmed informed Babar that he could not supply the cargo and request Babar to leave the port. Babar, however, decided to remain at the port, hoping that Ahmed would be able to provide the cargo by the end of 45 days. Before the expiry of 45 days the war broke out and the further performance of the contract became impossible. Babar sued Ahmed to claim damages for breach of contract.

You are required to answer the following:

- (i) Explain the type of breach committed by Ahmed after 20 days.
- (ii) What remedies were available to Babar on breach of contract by the Ahmed and what are their consequences.
- (iii) Explain whether Babar will succeed in his claim for damages. (08)

Q.4 (a) Describe the effect on the liabilities of parties in case of total absence or failure of consideration in a negotiable instrument. **(05)**

(b) Adil owed Rs. 50,000 to Basheer. He gave a stamped and signed promissory note to Basheer leaving blank the space for the amount. The stamps affixed on the promissory note were sufficient to cover Rs. 70,000. Basheer filled Rs. 70,000 in the space left for the amount.

You are required to answer the following giving reasons for the same.

(i) How much amount Basheer can recover from Adil against the above promissory note.

(ii) If Basheer, after completing the promissory note for Rs. 70,000, transfers it to Karim then how much Adil will be bound to pay to Karim.

(iii) If Basheer filled Rs. 90,000 in the space left for the amount and transfers it to Karim, then how much amount Karim can recover from Adil. **(06)**

Q.5 (a) With reference to Sale of Goods Act 1930, briefly explain the rules regarding place of delivery. **(04)**

(b) Briefly explain the concept of reserving the right of disposal by the seller and describe the circumstances in which seller is presumed to have reserved this right. **(07)**

Q.6 Briefly explain different kinds of 'Bill of Lading'. **(09)**

Q.7 (a) Briefly describe the effect on the status and liability of the partner and the firm in the case of insolvency of a partner. **(05)**

(b) Asim, Abid and Akhtar are carrying on business in partnership. Asim sold his interest in the firm to Basit. Abid refuses to accept Basit as partner. Basit claim that by acquiring the interest of the Asim in the firm he has replaced him as partner and therefore has become the partner of the firm.

Please comment on the following:

(i) Whether Basit has become the partner of the firm.

(ii) The rights of Basit. **(06)**

Q.8 How the 'Insurable Value' of the subject matter insured is determined in case of marine insurance policy? **(09)**

Q.9 Briefly describe the duties of a 'trustee' under the Trust Act, 1882. **(10)**

(THE END)



March 10, 2004

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 (a) Briefly describe the various kinds of reciprocal promises and rules for their performance. (08)
- (b) Arif agreed to sell Baqar his house for Rs. 105 million provided that on breach of contract the defaulting party will pay Rs. 10 million as damages to the other. Baqar broke the contract and Arif sold the house for Rs. 104 million and filed a suit against Baqar claiming damages of Rs. 10 million. Comment whether Arif will succeed in his claim. (03)
- (c) Briefly describe the rights of the finder of goods. (05)
- Q.2 (a) In case of joint promise, explain the following:
- (i) Who should perform the promise when there are more than one promisor?
- (ii) Who can demand performance of promise when there are more than one promisee?
- (iii) What is the effect on the liability of other joint promisor if the promisee releases one of the joint promisor? (06)
- (b) Briefly explain whether there is valid agreement in following cases:
- (i) A and B entered into an agreement whereby they agreed that neither of them would appeal against the trial court's decision in respect of dispute between them.
- (ii) A promised to buy a horse from B for Rs. 2,000 if the horse proved lucky.
- (iii) Two co-widows made an agreement that if any of them remarried, she should forfeit her right to her share in the deceased husband's property. (06)
- Q.3 (a) What consideration is present in a contract of guarantee? Discuss with the help of an example. (05)
- (b) Adil, a minor borrowed from Yasir, a sum of Rs. 50,000. The payment of the loan was guaranteed by Zeeshan who is major. On the due date, Adil refused to pay. Can Yasir hold Zeeshan liable for the money? (03)
- Q.4 What is the difference between an agent and a trustee? (06)

- Q.5 A lent 3 sums to B of Rs. 1,000, Rs. 2,000 and Rs. 5,000. B sent a cheque of Rs. 1,000 asking A to appropriate this money towards the third debt of Rs. 5,000. A wants to appropriate the money to the first loan. Can he do so? (05)
- Q.6 (a) With reference to Sale of Goods Act, describe the exception to the rule that 'no one can transfer better title than he himself has'. (10)
- (b) Yasin delivered some jewellery to Zakir on sale or return basis. Zakir pledged the jewellery with Waqar. However, Zakir failed to make the payment to Yasin for the value of jewellery. You are required to explain the rights of Yasin against Zakir and Waqar. (04)
- Q.7 With reference to the Sales of Goods Act 1930, you are required to answer the following:
- (a) When can a "Condition" be treated as "Warranty" in the contract of sale of goods? (05)
- (b) Briefly discuss what do you understand by "Implied warranty of freedom from encumbrances" and what remedy is available to the buyer in case of its breach. (04)
- (c) Discuss the circumstances under which an unpaid seller can exercise the right to resell the goods. (07)
- Q.8 (a) Briefly describe the right of a partner when he rescinds a partnership contract for fraud or misrepresentation. (03)
- (b) Asif, Babar, Dawood and Faisal were carrying on a partnership business. It was proposed to appoint Dawood's son as a co-manager of the firm. Faisal opposed the proposal and therefore it had to be dropped. Dawood, with the help of Asif and Babar expelled Faisal from the partnership firm on the basis of decision of majority of partners. You are required to answer whether expulsion of Faisal is valid if:
- (i) power of expulsion by majority is provided in the partnership deed.
- (ii) power of expulsion is not provided in the partnership deed. (04)
- Q.9 (a) Briefly describe the rights of an insurance company under fire insurance policy. (06)
- (b) Describe the particulars which must be specified in marine policy and its effect on policy if it does not specify these particulars. (03)
- Q.10 (a) When can a trustee who has accepted a trust renounce it? (03)
- (b) What are the exceptions to the clause that a trustee cannot delegate his office or his duties? (04)

(THE END)



September 10, 2004

MERCANTILE LAW
MODULE B

(MARKS 100)
(3 hours)

- Q.1 What is 'ratio decidendi' ? (04)
- Q.2 (a) Briefly describe the terms 'privity of contract' and 'privity of consideration'. (05)
- (b) Zahid made an offer to Yasin to sell his car for Rs. 50,000 if he sends his acceptance by telegram immediately on receiving the offer. Yasin sends a letter of acceptance instead of a telegram. You are required to explain whether a contract has been made between Zahid and Yasin. (05)
- Q.3 (a) M/s Mehran & Co., Karachi entered into a contract with the City Government for the construction of a bridge and received an advance of Rs. 5 million.
- Mehran & Co. was unable to complete the work within the stipulated time and the City Government terminated the contract. Subsequently, this contract was found to be void from its inception for not being in conformity with the applicable laws.
- The City Government wants to recover the advance given to the contractor. With reference to the Contract Act 1872, discuss whether the government will succeed in the recovery of the advance given to the contractor. (04)
- (b) What are the effects of supervening impossibility in the performance of a contract? (04)
- Q.4 Briefly describe the rules regarding the enforcement of different kinds of contingent contracts. (09)
- Q.5 Anwar and Bashir jointly and severally guarantee the repayment of loan of Rs.500,000 given by Qasim to Dawood. Anwar and Bashir mutually agree that in case of default by Dawood, only Anwar will act as 'surety'. Dawood defaulted in payment and Qasim filed suit against Anwar and Bashir. Bashir claimed that he is not liable as surety because of arrangement between him and Anwar. You are required to comment on the claim of Bashir:
- (a) If Qasim was not aware about the arrangement between Anwar and Bashir.
(b) If Qasim was aware about the arrangement between Anwar and Bashir. (05)
- Q.6 A enters into a contract with B on behalf of a company yet to be formed. The company on being formed ratified the contract. Subsequently, the company went into liquidation. B filed a suit against the company and A. Comment on the liability of the company and A. (04)

- Q.7 (a) What are the liabilities of the drawer and drawee of a negotiable instrument? (05)
- (b) Asif draws a cheque in favour of Babar, a minor. Babar endorses it in favour of Yasin, who in turn endorses it in favour of Zafar. The cheque is dishonoured by the bank. Zafar sues Asif for payment. Asif refuses to make payment claiming that Babar is a minor and therefore cheque endorsed by him is not enforceable. Comment on the claim of Asif. (04)
- Q.8 (a) Describe the rules laid down by the Sale of Goods Act to ascertain the intention of the parties for transfer of property in the goods to the buyer, if the same is not clear from the contract itself? (06)
- (b) Farooq sold his car to Ghulam for Rs. 100,000. Ghulam agreed to make payment after one week and take delivery at that time. After two days, Farooq sold the same car to Ilyas, who bought it in good faith and without any notice of the prior sale. You are required to answer the following questions giving reasons:
- i) Whether Farooq was the owner of car when he sold it to Ilyas?
 - ii) Whether Ilyas has got valid title to the car?
 - iii) What right does Ghulam have against Farooq and Ilyas? (06)
- Q.9 What is a 'Charter Party' ? Discuss briefly the various kinds of charter party. (10)
- Q.10 (a) Agreement in restraint of trade is void. You are required to describe the provisions of Partnership Act, 1932 which validate agreements in restraint of trade. (06)
- (b) Enumerate the restrictions imposed by the Partnership Act, 1932 on the implied authority of a partner. (04)
- (c) Munir and Naeem purchased a taxi to ply it in partnership. The firm was not registered. The business continued for one year, and then Munir sold the taxi without the consent of Naeem, and did not pay anything to him. Naeem filed a suit against Munir to recover his share in the sale proceeds. You are required to answer the following questions, giving reasons:
- i) Whether a partner of an unregistered firm can file suit against the firm or other partners? (05)
 - ii) Whether the suit filed by Naeem is maintainable?
- Q.11 (a) What are the essential features of 'General Average Loss' ? (04)
- (b) With reference to marine insurance, describe the circumstances in which deviation of a voyage is presumed. (06)
- Q.12 What are the essential conditions for the establishment of a 'trust' ? (04)

(THE END)



March 11, 2005

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 What are the meanings of the following terms:
(i) bonafide (ii) ex-gratia (iii) ex-parte (iv) inter alia
(v) pari passu (vi) prima facie (vii) quantum meriut (viii) ultra vires (04)
- Q.2 (a) A binding contract should be in writing. Is it true? (05)
- (b) Ali Bookshop circulated its updated price list to all the members in its mailing list. One of the members, Moosa Enterprises ordered 2,000 copies of a particular book to be supplied within a month, which the bookshop could not arrange and regretted to accept the order.
- Moosa Enterprises filed a suit against Ali Bookshop for not honouring the contract and withdrawing the offer after it was accepted. Comment on the possible outcome of the suit. (04)
- (c) P delivers goods to A, his agent, with clear instructions that they are not to be sold for less than Rs.5,000. Consider the legal position of the parties in each of the following situations:
- (i) A sells the goods to X for Rs.4,000.
(ii) A buys the goods himself for Rs.5,000 and sends the money to P. Soon afterwards A sells the goods to X for Rs.6,000.
(iii) A sells the goods to X for Rs.5,500. X feels that he has obtained a bargain and gives A a present of Rs. 500. (06)
- Q.3 Describe the rules regarding the time and place for the performance of a contract. (07)
- Q.4 With reference to the Contract Act, 1872, discuss briefly whether a promise to pay time-barred debt is legally valid and enforceable? (05)
- Q.5 Explain whether in the following cases surety is discharged from his liability:
- (a) Arif owed a sum of Rs.20,000 to Baqar which was guaranteed by Cheema. The debt became payable, however Baqar did not sue Arif for a year after the debt had become payable.
- (b) Farooq borrowed money from Ehsan to be repaid within three months. Ghani gave surety for the same. Farooq failed to repay to Ehsan within three months. Ehsan promises Farooq's father that he will give time to Farooq for repayment.
- (c) Haroon agrees to appoint Jehangir as his clerk to sell goods at monthly salary, upon Kashif becoming surety to Haroon that Jehangir will duly account for money received by him as such clerk. Afterwards, without Kashif's knowledge or consent, Haroon and Jehangir agree that Jehangir shall be paid a commission on the goods sold by him instead of a fixed salary. (08)

- Q.6 (a) What are the essentials of a promissory note? (03)
- (b) State with brief reasons whether the following are promissory notes or not?
- (i) "I am bound to pay Rs.1,000 which I have taken from you."
- (ii) "I promise to pay B Rs.1,000 when he delivers the goods."
- (iii) "I promise to pay B Rs.1,000 after deducting therefrom any money which he may owe me."
- (iv) "I promise to pay B 100 shares and 500 debentures of ABC Ltd." (04)
- (c) Z issues a cheque to Y as a gift. Y and then X negotiate it for value. A gives the cheque to B as a gift. If the cheque is not paid, whom should B sue? (03)
- Q.7 (a) Describe the options available to buyer under Sales of Goods Act, 1930 in case of delivery of wrong quantities by the seller. (05)
- (b) What is the effect on the contract of sale where the price of the goods is to be fixed by a party other than the contracting parties? (05)
- (c) Asim acquired a second-hand photocopy machine in January 2005 for his office. The machine had been advertised by a dealer in office equipment, as a 2000 model in excellent condition and little used. After only a week's use, it broke down and needed extensive repairs. The service engineer told Asim that the machine was a 1995 model and was obsolete. What rights, if any, Asim has against the dealer under the Sales of Goods Act, 1930? (06)
- Q.8 Under what circumstances can a common carrier refuse to carry the goods? (05)
- Q.9 (a) Describe the mode of settlement of account between partners upon the dissolution of the firm. (06)
- (b) Briefly describe the contingencies on the happening of which, in the absence of contract to the contrary, a firm is automatically dissolved. (03)
- (c) Yasin, Zakir and Waris were partners in a firm. After some time, Waris retired from the firm but no public notice of his retirement was given. Yasin and Zakir carried on the business of the firm. Ashraf a trader, supplied some goods to the reconstituted firm. You are required to explain the following:
- (i) Who can give notice of retirement of partner?
- (ii) If the reconstituted firm fails to pay the price of goods, explain whether Waris shall be liable to Ashraf in the following cases:
- If he was a dormant partner.
 - If he was an active partner.
 - If he was a nominal partner. (07)
- Q.10 Write brief notes on the following:
- (i) Re-insurance. (03)
- (ii) Double insurance. (03)
- (iii) Doctrine of subrogation. (02)
- Q.11 Briefly describe the trustee's right of reimbursement and indemnification. (06)

(THE END)



September 9, 2005

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 What is meant by 'precedent' in the legal system? In what situations a precedent may not be binding? (06)
- Q.2 What are the obligations of parties regarding performance of a contract? (05)
- Q.3 (a) What is meant by specific performance and injunction? Illustrate your answer with an example of each. (04)
- (b) List the instances when a court may:
- Order specific performance of the contract
 - Refuse specific performance of the contract. (04)
- Q.4 A, a jeweller, was entrusted with a diamond by P with the instruction that A should obtain offers for it, and if any such offer was approved by P, A should sell it to the offerer. Acting contrary to P's instruction, A sold the diamond to S who bought it in good faith. Thereafter, A absconded with the sale proceeds. P sued S to recover the diamond. Comment on the legal rights of P and S. (04)
- Q.5 (a) Define continuing guarantee. How can it be revoked? (03)
- (b) Briefly discuss the circumstances under which a contract of guarantee becomes invalid? (04)
- (c) A obtained a loan of Rs.80,000 from B. C, D and E became sureties for different amounts i.e. C for Rs.20,000, D for Rs.25,000 and E for Rs.35,000. A defaulted to the extent of Rs.65,000. How much amounts are C, D and E liable to pay? Give reasons for the same. (03)
- Q.6 (a) Under what circumstances a banker is entitled to refuse payment against a cheque? (04)
- (b) What are the liabilities of the banker towards the 'drawer' and the 'holder' if the bank wrongly refuses to honour the payment of a cheque? (04)
- (c) Arif ordered certain goods based on samples received from Zahid and sent a crossed cheque representing payment in advance. The goods arrived next day but are different from the sample.
- If Arif wishes to repudiate the contract, how should he proceed to stop the bank from honouring the cheque?
 - If the bank pays despite the aforesaid notice then what will be the legal position of the bank in relation to Arif and Zahid? (06)

- Q.7 With reference to the Sales of Goods Act, 1930, answer the following:
- (a) What are the consequences if customs duty, excise or sales tax is imposed after the contract of sale? **(03)**
 - (b) What is the general rule with regard to passing of risk in a contract of sale and what are the exceptions to this rule? **(06)**
 - (c) What are the general principles for determining the transfer of title? **(07)**
 - (d) What would be the legal consequences if:
 - the goods are not delivered on time
 - payment is not made in time. **(04)**
- Q.8 What are the responsibilities and liabilities of a carrier carrying goods by sea? **(04)**
- Q.9 (a) Briefly explain whether a firm is dissolved automatically in the following cases:
- (i) A, B and C were partners in a firm. After sometime, A and B became financially unsound and were declared insolvent by the court.
 - (ii) A, B and C were carrying on a business in partnership. Subsequently, C became insane. **(04)**
- (b) With reference to Partnership Act, 1932 discuss the consequences of not giving a public notice in the following cases:
- When a minor partner attains the age of majority.
 - When a partner retires from the firm.
 - When a partner is expelled from the firm.
 - When a partnership is dissolved. **(06)**
- (c) It is a clear maxim of law that the status for filing a suit is different for a registered and an unregistered firm. Comment on the possible outcome with this reference in the following case:
- “An unregistered firm sold goods worth Rs.200,000 to B, who gave a cheque for the amount which was dishonoured. R, a partner in the firm, demanded money from B who paid only Rs.120,000. In the meantime, the firm was dissolved and the sum of Rs.80,000, the unpaid balance was assigned to R for realization. R sues B for the recovery, who maintains that the suit is not maintainable as the firm was not registered”. **(05)**
- Q.10 (a) Explain the following terms in the context of insurance:
- Good faith
 - Insurable interest
 - Mitigation of loss **(06)**
- (b) Differentiate between ‘Actual Total Loss’ and ‘Constructive Total Loss’. **(02)**
- Q.11 Enumerate the disabilities of a Trustee under the Trust Act, 1882. **(06)**

(THE END)



March 10, 2006

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

Q.1 What are the powers available to the President of Pakistan under the constitution to promulgate a law? What is the legal status of such law? **(04)**

Q.2 (a) Under certain circumstances the failure to disclose information, by remaining silent, may result in misrepresentation. Explain such circumstances briefly. **(06)**

(b) A leads B to believe that 500 tons of steel is made every year at his factory. B examines the accounts of the factory which show that only 400 tons of steel is made. B thereafter buys the factory. Can B now avoid the contract? **(05)**

Q.3 B agreed to perform some special work at C's premises between November 16 to 30, 2005. In order to perform the contract, B contracted with A to purchase a machine for Rs. 1,000,000 to be delivered by November 15, 2005. A failed to deliver the machine on time and consequently B failed to perform his contract with C and was thus compelled to pay compensation of Rs. 250,000 for breach of contract. Subsequently B purchased the machine from D at Rs. 1,200,000.

You are required to explain the following:

- (i) Ordinary damages and special damages
(ii) Whether B can recover ordinary and special damages from A and what shall be the amount of these damages? **(08)**

Q.4 (a) When a debtor owes several distinct debts to a person and makes part payment, explain how such payment is to be appropriated? **(06)**

(b) A regularly buys goods from B. C provided guarantee to B for any trade debt due from A but not exceeding Rs. 100,000. A became indebted to B for Rs. 120,000 and made a compromise with B to pay 75 paise in a rupee. B sued C under the guarantee. Is B's claim valid? **(04)**

Q.5 (a) Describe the circumstances in which an agent can delegate to a sub-agent. **(05)**

(b) When a third party comes to know of the undisclosed principal, what options are available with him with regard to legal action for non-performance? **(05)**

Q.6 A made out a cheque writing "Pay to B" and delivered the same to him. Afterwards, B put his signature on the back of the cheque and delivered it to C.

You are required to briefly explain:

- (i) The bearer and order instruments and how they can be negotiated.
(ii) What type of endorsement has been made by B?
(iii) Whether C is entitled to receive the payment of cheque. **(06)**

- Q.7 (a) Define an agreement to sell and briefly describe when an agreement to sell becomes a sale. (03)
- (b) With reference to Sale of Goods Act, 1930, briefly explain the terms:
(i) conditions, and;
(ii) implied conditions
and enumerate the implied conditions as regards the title of goods. (05)
- (c) A sold certain goods to B. On B's failure to pay the price, A exercised his right of lien on the goods. When B failed to pay the price within a reasonable time, A resold the goods to C.
- You are required to answer the following:
- (i) Describe the circumstances in which an unpaid seller can exercise his right of resale.
- (ii) What shall be the consequences if A has resold the goods without giving notice to B and whether C shall have a good title to the goods in such a case?
- (iii) What shall be the situation if A has resold the goods after a reasonable time of giving notice to B? (09)
- Q.8 With reference to the Carriage of Goods by Sea Act, 1925, what particulars should a Bill of Lading contain? (05)
- Q.9 (a) Which property is classified as partnership property under Partnership Act, 1932? (06)
- (b) Explain the doctrine of 'holding out' as given in the Partnership Act 1932. What is the status of a person who so holds out? (06)
- (c) A, B and C are partners in a firm. A buys certain goods from D and uses them at his own house. The goods are of use in the ordinary course of firm's business. D claims the price from the firm. The firm refuses to pay on the plea that the goods were never received by it.
- With reference to the Partnership Act, 1932 discuss the following:
- (i) The position of A and D vis a vis the firm.
- (ii) What would be your answer if part of the goods so bought by A were delivered to the firm and the remaining goods kept by A for his private use? (05)
- Q.10 What are the various types of marine insurance policies available to the cargo owners? (06)
- Q.11 What are the rights of a beneficiary under the Trust Act, 1882? (06)

(THE END)



September 09, 2006

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 (a) What are the consequences of non-performance of contract within specified time? (06)
- (b) A, B and C who are partners in an export business, jointly promised to pay Rs. 300,000 to Z. After some time, B became insolvent. He has assets worth Rs. 200,000. He is also liable to pay a personal loan amounting to Rs. 700,000. Z has filed a case against C to pay the whole amount. Discuss the obligations of A, B and C. (06)
- Q.2 What are the essentials of a valid offer for performance of a contract? (05)
- Q.3 What are quasi contracts? Briefly describe any three situations discussed in the Contract Act, 1872 which result in a relationship usually referred to as a quasi contract. (08)
- Q.4 (a) Explain and distinguish between a contract of indemnity and a contract of guarantee. Give an example of a contract of indemnity? (07)
- (b) B appointed A as his agent to collect rent and required him to execute a fidelity bond in which C was the surety. Some time after execution of the bond, C died. A committed various acts of dishonesty after C's death. Do you think C's estate is liable for loss caused to B? Explain. (03)
- (c) A holds a lease from B, which is terminable on three months notice. C, an unauthorized person, gives notice of termination to A. After two months, B ratifies the notice and asks A to vacate the premises. A knows that C has given the notice without authority and claims that the ratification is invalid. On what basis can A make such a claim? (02)
- Q.5 (a) When is the holder of a negotiable instrument considered a 'holder in due course' under the provisions of the Negotiable Instruments Act, 1881? (04)
- (b) State the conditions necessary for the acceptance of a Bill of Exchange to be valid. (04)
- (c) Adil owed Rs. 50,000 to Basheer. He gave a stamped and signed promissory note to Basheer leaving blank the space for amount. The stamps affixed on the promissory note were sufficient to cover Rs. 70,000.
- You are required to answer the following giving reasons for your answer:
- (i) How much amount can Basheer recover from Adil against the above promissory note?
- (ii) If Basheer after completing the promissory note for Rs. 70,000 transfers it to Karim, how much amount will Adil be bound to pay to Karim?
- (iii) If Basheer fills Rs. 90,000 in the space left for the amount and transfers it to Karim, how much amount can Karim recover from Adil? (06)

(2)

- Q.6 (a) What are the implied conditions in a contract of sale by sample? **(03)**
- (b) Ejaz sold 5 tons of wheat to Nasir against a credit of 45 days. Nasir requested Ejaz to keep the wheat bags in his warehouse for a few days. After a week, Nasir became insolvent and the official assignee is asking for delivery of wheat bags without making payment to Ejaz. Can Ejaz retain the goods? Explain. **(03)**
- (c) Narrate the rules applicable to 'sale by auction' under the Sales of Goods Act, 1930. **(05)**
- Q.7 Alaska Shipping Company has agreed with Habib Enterprises to carry their goods from Pakistan to Canada. Explain the implied warranties applicable to the contract. **(08)**
- Q.8 (a) Explain with reference to the Partnership Act, 1932:
- (i) How and under what conditions can a minor be admitted to the benefits of a partnership? **(06)**
- (ii) Under what conditions can a partner be expelled from the partnership? **(05)**
- (iii) What are the effects of insolvency of a partner? **(03)**
- (b) A and B who are partners in AB & Company borrowed money from C for the business of the partnership. The partnership incurred a loss and the loan could not be repaid. C sued A and B and obtained a decree which was not satisfied. Subsequently, C discovered that D was also a partner with A and B, on the date the loan was given. D however disowns the transaction. Discuss the rights of C. **(04)**
- Q.9 Briefly explain the following clauses contained in fire insurance policies:
- (i) Average clause
- (ii) Reinstatement clause
- (iii) Arbitration clause
- (iv) Consequential loss clause. **(06)**
- Q.10 (a) When is a trust assumed to be extinguished? **(02)**
- (b) A gave his property to a trust which had two trustees, i.e. B & C. A directed them to sell the property and invest the proceeds for the benefit of D. B and C sold the property and the purchase money was received and retained by B. C paid no attention to the matter for two years and then called on B to make the payment. B committed breach of trust and has become insolvent. Is there any liability on C? **(04)**

(THE END)



MERCANTILE LAW

(Marks 100)

Module B

(3 hours)

- Q.1 Briefly describe the various sources of law. (06)
- Q.2 (a) Briefly discuss the concept of “consensus ad idem”. (03)
- (b) An agent refused to hand over the accounting records of the principal to the new agent appointed in his place unless the principal release him from all liabilities. The principal had to give a release deed as demanded. Is this release deed binding upon the principal? (03)
- Q.3 Explain the meaning of the term ‘consideration’ under the Contract Act, 1872. What is the difference between an agreement without consideration and an agreement having inadequate consideration? (04)
- Q.4 (a) Explain the principles contained in the Contract Act, 1872, for determining the compensation for loss or damage caused by breach of contract. (04)
- (b) A contract may be discharged on the ground of supervening impossibility. State at least five exceptions to this rule. (05)
- Q.5 P contracted to indemnify R against the consequences of any proceedings which S might take against R in respect of a debt due by R. S obtained a judgment against R for the amount. Without paying any portion of the decreed amount, R sued P for its recovery. Explain whether R is entitled to recover the amount from P, before paying the decreed amount. (04)
- Q.6 (a) Explain clearly the meaning of bailment as provided in Contract Act, 1872. (02)
- (b) A gave his car to B for repairs. Repair charges of Rs. 2,500/- were agreed. B refused to return the car to A unless past dues of Rs.750/- were also cleared. Explain whether B is entitled to retain the car. (03)
- (c) X hired a motor boat from Y. The boat caught fire and X was injured. Y did not know that the fire fighting equipment was out of order. Explain whether Y is liable to compensate X. (03)
- Q.7 (a) What are the mutual rights and liabilities of partners under the Partnership Act, 1932? (07)
- (b) What are the effects of non-registration of a partnership firm? What rights of the firm, its partners or third parties are not affected by such non-registration? (08)
- (c) X and Y are partners in a firm. X, without the consent of Y, bought shares in his own name with the firm’s money. Do such shares constitute partnership property? Would it make any difference if X debits himself in the firm’s books? (03)

(2)

- (d) The partners in a firm had decided that no partner shall have the right to buy or sell goods beyond the value of Rs 500,000 without the consent of other partners. Owing to a sudden slump in the market, the prices crashed and one of the partners, in order to save the firm from loss, sold all the perishable stock worth Rs. 700,000 without consulting the other partners. Is the firm bound to honour this transaction? **(03)**
- Q.8 (a) What are the presumptions as regards a negotiable instrument, under the Negotiable Instruments Act, 1881? **(07)**
- (b) A draws a bill of exchange in favour of his nephew B without consideration. Subsequently B endorses it in favour of C for a consideration. B was a minor when the bill was drawn by A, but had attained majority at the time he endorsed the bill to C.
- Describe the rights and liabilities of A, B and C under the Negotiable Instruments Act, 1881. **(06)**
- Q.9 The doctrine of “Caveat Emptor” implies that it is the buyer’s responsibility to examine the goods carefully at the time of buying and the seller is not responsible to disclose any defect in the goods.
- What are the exceptions to the doctrine of “Caveat Emptor” as mentioned in the Sale of Goods Act, 1930? **(12)**
- Q.10 Explain the rights of a buyer if the goods delivered by the seller are:
- i) less than the contracted quantity
 - ii) more than the contracted quantity
 - iii) mixed with other goods **(07)**
- Q.11 List at least ten circumstances under which a ship shall not be held responsible for loss or damage to the cargo. **(05)**
- Q.12 Narrate the circumstances as described in the Trust Act, 1882, under which a trustee shall not be held responsible for a breach of trust. **(05)**

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Autumn 2007



September 03, 2007

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 With respect to enactment of any Act in Pakistan, what is the procedure to be followed by the National Assembly and the President of Pakistan? (06)
- Q.2 (a) What is the difference between an agreement and a contract? (03)
(b) What rights are conferred to the parties under void, voidable and illegal agreements under the Contract Act 1872? (07)
(c) X offered the post of accountant to Y. He allowed Y to discuss the matter with his parents and convey his decision to X by the end of the week. At the end of the week, Y resigned from his present job and went to X to signify his acceptance of the offer but was told that the post has been given to another person. What remedy (if any) is available to Y? (03)
- Q.3 C made an untrue statement to D which induced D to enter into a contract. Explain the rights of D under each of the following circumstances:
(i) If the statement is made recklessly without caring to know whether it was true or false.
(ii) If C has made the statement in good faith. (04)
- Q.4 With reference to the law of contract, explain the terms 'novation' and 'restitution' with the help of a suitable example in each case. (04)
- Q.5 (a) A ordered some DVDs from an online DVD seller. He paid for those DVDs through his credit card. However, mistakenly he gave the delivery address of B. The online store delivered the DVDs at B's address. What is the obligation of B in this case? (03)
(b) A made a coat from the fur of a Bengal tiger which he had hunted when there was no restriction under the law, on such hunting. The law in place currently, restricts such hunting activities. B, a friend of A, saw this coat at A's house and offered to buy it for Rs. 500,000. A agreed to sell it. Later A backed out of his promise. What is the course of action available to B? (03)
- Q.6 Discuss the circumstances under which an agent is personally bound by the contract entered into by him on behalf of his principal. (07)
- Q.7 (a) Partners have implied authority by which they can bind the firm and all the partners. However, the implied authority does not empower them to do certain acts. List all such exceptions. (07)

(2)

- (b) A, B and C were partners in a firm. A died. However, B and C continued the business without settling the accounts of the deceased partner. A's share on the date of his death amounted to Rs. 1.2 million. After two years, the accounts were settled and the amount of Rs. 1.2 million was paid to the legal heirs. The legal heirs have now filed a suit claiming A's share of profit for the two years amounting to Rs. 100,000. B and C deny such share as A had ceased to be a partner, from the date of his death.

Give your views on the above situation, based on the Partnership Act, 1932. **(04)**

- (c) A borrowed Rs. 50,000 from B by giving a promissory note in his individual capacity. He used the proceeds of the note in the partnership business. While A had gone abroad for medical reasons, B sued the partnership as the promissory note became overdue.

With reference to both the Partnership Act, 1932, and Negotiable Instruments Act, 1881, explain whether the firm is liable to pay the amount.

Would it make any difference if A had informed B that the borrowing was being made for the purpose of the firm? **(06)**

- Q.8 (a) Any material alteration to a negotiable instrument renders the same void. What are the exceptions to this rule? **(08)**

- (b) With reference to the Negotiable Instruments Act 1881, describe the manner in which a cheque may be crossed after its issue. **(04)**

- (c) A draws a bill payable on B which is due after three months. It passes through several hands before X becomes its holder. On presentation by X, B refuses to accept the bill. Discuss the rights of X. **(03)**

- Q.9 (a) What are the various situations under which the goods delivered by a seller to a buyer, will be deemed to have been accepted? **(03)**

- (b) What are the consequences in case the buyer refuses to take delivery of the goods under the contract? **(03)**

- (c) What rights are available to the buyer in respect of examination of goods under the Sales of Goods Act, 1930? **(05)**

- (d) Briefly describe the remedy available to the buyer for the breach of warranty by the seller? **(02)**

- Q.10 With reference to the Carriage of Goods by Sea Act 1925, briefly describe:

- (a) Duties of a carrier of goods by sea. **(04)**

- (b) Particulars that a bill of lading should contain. **(05)**

- Q.11 (a) What are the liabilities of a trustee under the Trust Act 1882? **(04)**

- (b) Under what circumstances can a trustee delegate his authority? **(02)**

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Spring 2008



March 3, 2008

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 Briefly describe the kind of cases handled by the Federal Shariat Court and the procedures followed in the discharge of these cases. (07)
- Q.2 Differentiate between an offer and an invitation to offer. Give at least four examples of invitation to offer. (06)
- Q.3 (a) Tariq was seriously ill and needed money for his operation. Murad agreed to lend him Rs. 100,000 at 15% per annum. The rate of interest prevalent in the market was 10% per annum. Later, Tariq refused to pay interest in excess of 10% claiming that he entered into the agreement under undue influence of Murad. Do you agree with Tariq? Explain with appropriate reasons. (05)
- (b) Arif told Bano, his wife, that he would divorce her, if she does not transfer her personal assets to him. She agreed to transfer her assets to him. Can Bano avoid the contract? (03)
- Q.4 (a) Mohsin promised Ahsan that he will pay his university fee. Later Mohsin suffered losses in his business and refused to pay the fee. Mohsin is of the view that since the agreement was without consideration, it does not constitute a valid contract. However, Ahsan believes that the agreement is enforceable under law as it meets certain other conditions.
- You are required to narrate the conditions which Ahsan may be referring to. (04)
- (b) Bushra entered into a contract with Akhtar, the manager of a radio programme, to conduct a show, twice a week, during the next three months. Bushra did not appear for the sixth show. She conducted the next show but soon thereafter Akhtar rescinded the contract and informed her that her services were no longer required as she failed to conduct the sixth show.
- Narrate the rights of Akhtar and Bushra in the above situation. (05)
- Q.5 (a) A borrowed Rs. 300,000 jointly from B, C and D. When the debt became due, A paid the full amount to B. Explain whether A's debt has been discharged. (03)
- (b) Explain the term 'right of subrogation' in the context of a contract of guarantee. (03)
- Q.6 Certain agreements have expressly been declared to be void under the Contract Act, 1872. List such agreements alongwith exceptions, if any. (08)
- Q.7 (a) A, B and C, partners of a firm, admitted D, a minor to the benefits of the firm. D attained majority on 6th March 2007. He became aware of the fact that he has been admitted to the benefits of the firm on 16th August 2007. Being undecided about the situation he preferred to wait for sometime before announcing his decision about joining the firm. On 27th February 2008, the firm suffered heavy losses due

- to an unforeseen event. A, B and C informed D that on account of such losses, his capital in the firm has been reduced by 40%. Discuss the rights and liabilities of D in the above situation. **(06)**
- (b) A firm in which A, B and C were partners, placed an order with D for supplying certain goods on credit. Before D could supply the goods C died. D supplied the goods after C's death, being totally ignorant about the fact. A and B subsequently became insolvent. Can D make C's estate liable for his debt? Explain. **(03)**
- (c) List the circumstances in which a partnership firm is compulsorily dissolved? **(05)**
- Q.8 (a) Ahmed draws a bill of exchange in favour of Bilal, a minor or to his order. Bilal endorsed the bill in favour of Dawood, an agent of Fareed, against appropriate consideration. Dawood endorsed the same in favour of Ghalib. Answer the following giving appropriate reasons:
- (i) Can Ahmed refuse to pay the bill on the plea that it was issued in favour of Bilal who being a minor was not competent to contract? **(06)**
- (ii) If Ahmed fails to pay the bill on presentation, can Ghalib claim the amount from Dawood?
- (iii) Can Ghalib claim the amount from Bilal if the amount received by Bilal as consideration for the bill is still available with Bilal? **(06)**
- (b) What is meant by instrument transferred on escrow? Does such transfer affect the rights of holder in due course? **(03)**
- (c) A bill was drawn payable to 'Ahmed or order'. It was lost subsequently. Basheer who found the bill forged Ahmed's signature and endorsed it to Chawla who took it for value and in good faith.
- (i) Is Chawla a 'holder in due course'? Discuss. **(04)**
- (ii) Would your answer be the same, if the bill was bearer? Discuss. **(04)**
- Q.9 (a) What are the rights available to an unpaid seller under the following circumstances:
- (i) When the property in goods has passed to the buyer. **(06)**
- (ii) When the property in goods has not passed to the buyer. **(06)**
- (b) The property in specific or ascertained goods is transferred to the buyer at such time as the parties intend. Narrate the rules that have been specified under the Sale of Goods Act, 1930 to determine the transfer of property in goods, if the intentions of the parties cannot be judged from the contract of sale. **(08)**
- (c) Y, a wheat stockist, had a large godown where he kept all his wheat. He sold 100 kgs of wheat to G and received an advance payment of 40%. On the same day, before the goods could be set aside for G, the entire godown caught fire and everything was destroyed. Who would bear the loss of 100 kgs of wheat sold to G and why? **(03)**
- Q.10 Sameer Enterprises shipped a cargo containing explosive material on a ship owned by Mehran Shipping Company. Explain the rights and liabilities of each party in the following situations:
- (a) If the goods were shipped without the knowledge of the shipping company. **(05)**
- (b) If all the relevant details were provided to the shipping company. **(05)**
- Q.11 State the circumstances in which a beneficiary of a trust may become liable for breach of trust. What are the rights of other beneficiaries in such circumstances? **(07)**

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Autumn 2008



September 1, 2008

MERCANTILE LAW Module B

(MARKS 100)
(3 hours)

- Q.1 What do you understand by the term 'civil law'? Give few examples of such laws. (04)
- Q.2 Briefly describe the essential conditions for the acceptance of an offer to be valid, under the Contract Act, 1872. (07)
- Q.3 (a) Asif stole cash and merchandise from the ABC Store. Basit, the owner of store, initiated legal proceedings against him. Asif contacted Basit with an offer to return the stolen cash and merchandise if Basit withdraws the suit. Basit accepted the offer. Is it a valid agreement? Discuss. (02)
- (b) Shahid agreed to buy used printing machinery from Amir who confirmed that the machine was in a good condition. After taking possession, Shahid complained that there were defects in the machine. Amir and Shahid agreed to have it repaired and to share the repair charges equally. Few days after the repairing, the machine again started malfunctioning. Shahid now wants to rescind the contract. Can he do so? Discuss. (04)
- Q.4 (a) Danish owes a sum of Rs. 100,000 to Adil against three different agreements. In March 2008, Danish sent a cheque of Rs. 70,000 and Adil appropriated the amount in the following manner:

Year of agreement	Amount Rupees	Appropriation by Adil
2005	20,000	20,000
2006	40,000	10,000
2007	40,000	40,000
Total	100,000	70,000

The loan taken in 2006 has been guaranteed by Feroze who has demanded that Adil must appropriate Rs. 40,000 against the debt guaranteed by him. Explain whether Adil is bound to accept Feroze's point of view. (04)

- (b) Bashir supplies goods worth Rs. 100,000 each month to Anwar under a contract which is due to expire on December 31, 2009. Ameen has guaranteed that he will compensate Bashir in case of default by Anwar.

On August 29, 2008 the amount due to Bashir is Rs. 325,700. Ameen intends to revoke his guarantee. Can he do so? Discuss. (03)

- Q.5 A agreed to supply machinery to B at a specified date. B informed A that if the delivery is delayed he would not be able to execute a contract with C. It was agreed that A would pay Rs. 500,000 per month as compensation in case of delay beyond the agreed date. The machinery was supplied five months after the agreed date due to which B lost the contract with C, which could have earned him a profit of Rs. 2.0 million. As a result of the delay, B was also compelled to pay Rs. 1.5 million to another party i.e. Sunny Enterprises as compensation for breach of contract. B claimed damages of Rs. 3.5 million from A being the actual loss suffered by him.
- Determine the amount of compensation which A would be required to pay B, giving appropriate reasons under the Contract Act, 1872. **(05)**
- Q.6 (a) Explain the term “pledge”. Identify the circumstances under which a pledge made by a non-owner will be considered valid even if the owner has not authorized him to pledge the goods. **(07)**
- (b) Briefly state the duties of an agent towards his principal. **(05)**
- Q.7 (a) Narrate the rights available to the aggrieved partner who rightfully rescinds the partnership contract due to fraud or misrepresentation by the other partners. **(05)**
- (b) ABC & Company, a partnership firm, has suffered losses and the partners have decided to dissolve the firm. You are required to explain how the accounts shall be settled, in accordance with the Partnership Act, 1932. **(08)**
- (c) Asad, Bilal and Cassim formed a partnership for 10 years. They decided that Bilal and Cassim will actively manage the business and they performed their responsibilities in the best interest of the partnership for 6 years. However, Asad was not satisfied with the arrangement and served a notice of dissolution of the firm which was disregarded by the other partners. Then Asad filed a suit for dissolution on the grounds that his notice for dissolution of the firm was disregarded. Can he succeed in his suit? Explain. **(04)**
- Q.8 (a) Faisal drew a bill on Ghazi for an amount of Rs. 45,000 which was payable to the order of Faisal. Ghazi accepted the bill in consideration of goods supplied to him by Faisal worth Rs. 30,000 and the remaining Rs. 15,000 to accommodate Faisal. On the due date, Ghazi dishonoured the bill. You are required to explain the following:
- (i) If Faisal sues Ghazi, can he succeed in recovering the amount due on the bill?
(ii) What would be the rights of Hamid and Ghazi if Faisal endorses the bill to Hamid for value and on dishonour, Hamid sues Ghazi on the bill? **(06)**
- (b) Explain the term “ambiguous instruments” giving at least two examples. Can such instruments be negotiated? **(04)**
- (c) List the rules for determining the compensation payable in case of dishonour of negotiable instruments. **(06)**
- Q.9 (a) List the implied conditions which are attached to a contract of sale by sample. **(03)**
- (b) Discuss the remedies available to a buyer in case of non-delivery of goods by a seller. **(04)**

(3)

(c) Describe the rules relating to place and time of delivery of goods. **(06)**

(d) Haroon contracted to purchase pineapples from Ismail. It was agreed that Ismail would fill the tins weighing 500 gms each and pack them in cases containing 30 tins each. Ismail's staff had filled 40% of the pineapples in tins in presence of Haroon when a fire broke out accidentally and the entire stock was destroyed. Ismail contends that Haroon should bear 40% of the loss.

Who in your opinion should bear the loss? Discuss with reference to Sale of Goods Act, 1930. **(03)**

Q.10 The goods received by Haseeb Brothers were damaged owing to improper cooling system in the ship owned by Blue Ocean Shipping Company. State the rules relating to claim for loss of goods to be lodged by Haseeb Brothers with Blue Ocean Shipping Company, with reference to Carriage of Goods by Sea Act, 1925. **(05)**

Q.11 What are the essential conditions for creating a valid trust, under the Trust Act, 1882? **(05)**

(THE END)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Spring 2009



March 2, 2009

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 Briefly discuss the right of appeal, the basis thereof and the procedure for appeals, in criminal cases. (04)
- Q.2 Identify the circumstances under which a proposal may be revoked under the Contract Act, 1872. (07)
- Q.3 (a) Describe the principles of determining compensation for loss or damages caused due to breach of contract. (04)
- (b) Talib was indebted to Bashir for Rs. 10,000. On Talib's request Bashir agreed to accept Jahangir as his debtor, in place of Talib. Jahangir failed to make payment on due date. Under the provisions of Contract Act, 1872 you are required to explain whether Bashir can now demand payment from Talib. (02)
- Q4. (a) Discuss the rights of the finder of goods under the Contract Act, 1872. (04)
- (b) Shahid pledged gold with Mehreen against a loan of Rs. 100,000 at a markup of 15% per annum. Being concerned with the growing incidences of burglary in the city, Mehreen insured the gold. At the time of repayment, Mehreen claimed the cost of insurance cover in addition to the principal sum due and interest thereon.
- In the light of Contract Act, 1872 briefly explain whether Mehreen is justified in her claim. (02)
- Q.5 (a) What is a contract of Indemnity as defined under the Contract Act, 1872? (02)
- (b) A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or not to sue the principal debtor, discharges the surety. Briefly state the exceptions to this principle. (06)
- Q.6 (a) "A person cannot pass a better title than what he himself has". List the exceptions to this rule, under the Sale of Goods Act, 1930. (04)
- (b) Who is an unpaid seller? Can a seller be deemed to be unpaid if goods are sold on credit? Explain in the light of the Sale of Goods Act, 1930. (03)
- (c) Describe the circumstances as mentioned in the Sale of Goods Act, 1930, under which a seller loses the right of:
- (i) lien
- (ii) stoppage of goods in transit. (04)

- Q.7 (a) When may an agent's authority be revoked by the principal under the Contract Act, 1872? Also narrate the exceptions to the above provision. (05)
- (b) When does the termination of an agent's authority takes effect? Explain. (02)
- (c) Aslam appointed Zakir to recover Rs. 7.0 million from Naveed. Zakir misbehaved with Naveed as a result of which Naveed sued Aslam. Later, Aslam sued Zakir claiming reimbursement of the cost incurred by him in defending the suit filed by Naveed. Explain whether Aslam is justified in his claim. (02)
- Q.8 (a) Qadeer and Javed are partners in a confectionery business. They admitted Hasan, a minor son of their deceased friend, to the benefits of the partnership.
- (i) State the procedure that should be followed by Hasan on attaining majority. (04)
- (ii) What would be the rights and liabilities of Hasan on attaining majority:
- if he decides to become a partner
 - if he decides not to become a partner. (05)
- (b) Qadeer and Javed sold their confectionery business along with goodwill, to Asad Sweets. They also agreed not to carry on similar business for a period of three years. After one year of the sale, Qadeer started a similar business on the ground that agreements in restraint of trade are void. Describe the relevant provisions of Partnership Act, 1932 and explain whether Qadeer is justified in his contention. (03)
- (c) Discuss the restrictions which can be imposed by Asad Sweets in the above situation, under the Partnership Act 1932, if there is no condition in the agreement, preventing Qadeer from carrying on similar business. (04)
- (d) Explain the concept of "Holding out" as described in the Partnership Act, 1932. (04)
- Q.9 (a) List the persons who are required to give notice of dishonour of negotiable instrument. Also list the persons to whom such notice should be given. (04)
- (b) State the circumstances when notice of dishonour of negotiable instrument is not necessary. (06)
- (c) A cheque is drawn payable to 'B or order'. It is stolen and B's endorsement is forged. The banker pays the cheque in due course. Is the banker discharged from liability? Would it make any difference if the drawer's signature were forged? (03)
- Q.10 List the key contents of a bill of lading as described in the Carriage of Goods by Sea Act, 1925. (06)
- Q.11 (a) Narrate the circumstances under which a trust can be revoked under the Trust Act, 1882. (04)
- (b) What are the rights of a beneficiary if the trustee has wrongfully bought the trust property? (03)
- (c) A trustee of ABC Welfare Trust deposited the Trust's funds in XYZ Bank Limited which subsequently became insolvent. Explain whether the beneficiaries can sue the trustee for recovery of the loss. (03)

(THE END)



September 7, 2009

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 (a) What is the composition and tenure of Federal Shariat Court? **(03)**
- (b) What does court of first instance means? List the areas of jurisdiction of the High Court. **(03)**
- Q.2 Describe the circumstances under which an agreement made without consideration is considered valid and binding under the Contract Act, 1872. **(07)**
- Q.3 (a) Sara planned to spend her vacations in Islamabad with her parents. She therefore, requested her neighbour, Farha to take care of her pet cat during this period. On her return from vacations, Farha informed Sara that she had to spend Rs. 500 on usual feeding and grooming of the cat and Rs. 1,000 on medical expenses as the cat fell sick, without any negligence on Farha's part.
- You are required to state the amount, if any, which Sara needs to reimburse to Farha in each of the situations given below. Justify your answer with reasons under the provisions of Contract Act, 1872.
- (i) No remuneration was agreed to be paid to Farha for the safe custody of the pet. **(04)**
- (ii) Sara had agreed to remunerate Farha for her services. **(04)**
- (b) Describe the following as defined under the Contract Act, 1872.
- (i) Bailee's particular lien **(04)**
- (ii) General lien of a banker **(04)**
- (c) Majid gave a piece of fabric to Stylish Suiting for sewing a coat at a consideration of Rs. 5,000. On completion, Majid paid the whole amount; however, Stylish Suiting refused to deliver the coat until the payment of previous dues of Rs. 3,000.
- Explain under the provisions of Contract Act, 1872, whether Stylish Suiting is justified in refusing to deliver the coat. **(02)**
- Q.4 (a) Explain the term ratification in relation to the contract of agency under the Contract Act, 1872. What is the effect of a valid ratification? **(03)**
- (b) List down the conditions necessary for a valid ratification. **(04)**

- (c) Sami rented his house to Qurban for a period of one year at an agreed sum of Rs. 10,000 per month. After the first two months, Qurban defaulted in making payment of the rent. Baqir, a neighbour, being concerned with the strained relationship between Sami and Qurban, paid the rent with good intention. Subsequently, on Qurban's refusal to reimburse the amount, Baqir filed a suit against him on the grounds that he made the payment to Sami which Qurban was legally bound to make and being a quasi contract Baqir is entitled to the reimbursement.

Explain whether Baqir is justified in his suit. **(04)**

- Q.5 (a) Mehboob, a promisor and Saulat, a promisee, entered into a valid contract. However, when Mehboob made an offer of performance, Saulat refused to accept the same. Briefly state the rights and responsibility of Mehboob against such refusal. Also state the essentials of a valid offer of performance under the provisions of Contract Act, 1872. **(05)**

- (b) Asim agreed to construct a bungalow for Ali at a cost of Rs. 50 million. However, it was agreed that payment would only be made on completion of the project. Is this a contingent contract under the Contract Act, 1872? Give reasons. Also list the requisite characteristics of a contingent contract. **(03)**

- Q.6 (a) The authority of a partner to bind the firm is called "Implied Authority." List the acts which cannot be exercised by a partner as his implied authority. **(04)**

- (b) Karim, Luqman and Noman were partners in a firm. They admitted Moeen as a partner on the payment of a premium, for a fixed term of five years. However, the firm was dissolved after three years. Consequently, Moeen claimed repayment of the proportionate part of his premium. The other partners refused to return the premium.

You are required to explain whether Moeen is entitled to claim the refund under the provisions of Partnership Act, 1932. **(03)**

- (c) Obaid, Raheel and Pervez were partners in a firm. On September 1, 2009 Pervez retired from the partnership. The remaining partners continued the business, with the property of the firm, without final settlement of accounts as between them and Pervez.

In the light of the Partnership Act, 1932, describe the rights of Pervez, in the above circumstances. **(04)**

- (d) Sohail, Talha, Umair & Co., a partnership concern is engaged in trading of cloth. The firm bought a plot of land from Shining Star Limited. After some time Talha and Umair on their own account bought three more plots of land in the same locality and made good profits. Sohail on becoming aware of such profits sued Talha and Umair for his share.

Under the provisions of Partnership Act 1932, explain whether Talha and Umair are liable to share such profits with Sohail. **(04)**

- Q.7 (a) Explain the term "Cheque" as defined in the Negotiable Instruments Act, 1881 and list down the essential elements of a valid cheque. **(07)**

- (b) Who can cross the cheque after its issue? Also describe the manner in which it can be crossed. **(04)**

(3)

- (c) Wali made a promissory note in favour of Yaseen for an amount of Rs. 50,000. Wali died and the note was found by Wali's brother among his papers which he delivered to Yaseen. Yaseen sued Wali's legal representative.

In the light of the provisions of Negotiable Instruments Act, 1881 you are required to explain whether Yaseen can recover the amount. **(02)**

- Q.8 (a) Explain the following terms as defined under the Sale of Goods Act, 1930.
(i) Contract of sale (ii) Sale (iii) Agreement to sell **(03)**

- (b) Describe the various modes of fixing the price in a "Contract of Sale" and an "Agreement to Sell". **(05)**

- (c) What are the liabilities of buyer for neglecting or refusing to take delivery of goods under the Sale of Goods Act, 1930? Explain the remedies available to the seller in this regard. **(04)**

- Q.9 (a) What are the conditions implied in a contract for the Carriage of Goods by Sea? **(04)**

- (b) "Neither the carrier nor the ship shall be liable for loss or damage to the cargo arising or resulting from unseaworthiness of ship." List the exceptions to this rule, under the Carriage of Goods by Sea Act, 1925. **(04)**

- Q.10 (a) Describe the circumstances under which a trustee committing a breach of trust is liable to pay interest under the provisions of Trust Act, 1882. **(05)**

- (b) Taimure entrusted a trust land to Danish and Ghazi with the instruction to sell it and invest the proceeds for the benefit of Essa. The sale proceeds were received by Ghazi. Danish requested Ghazi to invest the proceeds. After four years Danish inquired from Ghazi about the status of investment. Ghazi informed Danish that he was unable to invest the sale proceeds as he became insolvent and lost all the money. Essa instituted a suit against Danish who pleaded that he is not liable for the breach of trust committed by his co-trustee.

Under the Trust Act, 1882, you are required to explain whether Essa can recover the loss from Danish and to what extent? **(05)**

(THE END)



March 1, 2010

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

Q.1 Fill in the blanks with the appropriate answers.

- (a) Legal sources are the means by which the law is currently brought into existence. There are four current sources of law in Pakistan: _____, _____, _____ and _____.
- (b) _____ in a judgment means the statements which are not essential to the decision in a case but are things said by the way.
- (c) The right of appeal in criminal cases is given by law both to _____ and to _____.
- (d) The statement of law on which the judge bases his decision is called _____.
- (e) There are four types of precedents namely; _____, _____, _____ and _____. (06)

Q.2 (a) What is an agreement? When is an agreement considered to be void? State the circumstances under which the object of an agreement is considered to be unlawful. (05)

- (b) Talat supplied computers to Bilal on credit. He agreed not to sue Bilal for a year at the request of Rafiq who agreed to indemnify Talat. Bilal failed to make payment. Talat initiated legal proceedings for the recovery of the amount against Rafiq and Bilal. Rafiq pleaded that Talat was not entitled to sue before the year expires.

In the light of the provisions of Contract Act, 1872, state whether Rafiq is justified in his contention. Also state if there are any exceptions to the general rule. (03)

Q.3 (a) Sohail and Afaq lent Rs. 2.0 million to Mohsin, Laila and Faizan jointly. On due date Laila became insolvent. Without informing Sohail, Afaq wants Mohsin to repay the full amount to him.

Under the provisions of Contract Act, 1872 explain:

- (i) whether Mohsin can be compelled to pay the full amount to Afaq.
- (ii) what rights are available to Mohsin, if he repays the full amount. (05)
- (b) What constitutes fraud under the provisions of Contract Act, 1872? (04)

Q.4 (a) Explain the following as described under the Contract Act, 1872.

- (i) Agent's authority in an emergency
- (ii) Agent's right of retainer
- (iii) Agent's right of lien (07)

- (b) Rais is employed by Sami, who has authorized Rais to purchase a generator from Atif who is the apparent owner of the generator. Previously Rais was employed by Atif and was aware that the generator actually belonged to Atif's brother. Sami is ignorant of the fact. Rais purchased the generator and Sami adjusted the price of the generator against the debt owed by Atif.

Under the provisions of Contract Act, 1872 explain whether Sami can adjust the debt, as described above. (03)

- Q.5 (a) In the light of the Contract Act, 1872 explain the term “Novation”. Also narrate the difference between novation and alteration. (03)
- (b) Identify the situations in which the consent is said to be free. List the various modes in which a contract may be discharged under the provisions of Contract Act, 1872. (05)
- Q.6 (a) Describe the provisions of Sale of Goods Act, 1930 related to the following: (06)
- (i) delivery of wrong quantity of goods. (06)
- (ii) implied conditions in a contract for sale by sample. (04)
- (b) Sonia wanted to buy some exotic bridal jewellery from Farhan’s shop for her wedding. Farhan sent three sets of exclusive jewellery to Sonia for selection. He asked her to return the set(s) to the shop within few days, in case, if she doesn’t like them. Under the provisions of Sale of Goods Act, 1930 discuss when Farhan would be justified to record the sale of jewellery. (04)
- Q.7 (a) Rafiq, Bari and Furqan have decided to establish a partnership business for trading in medical equipments. In the absence of any express contract, advise them of their mutual rights and liabilities under the provisions of the Partnership Act, 1932. (09)
- (b) Sameer, Fauzia and Sualat are partners in a firm. Fauzia transferred her interest in the firm absolutely to her son Adil. In the light of the provisions of Partnership Act, 1932 would Adil be considered a new partner in the firm? Also describe the rights and restrictions on Adil in view of such transfer. (06)
- (c) Danish, a practicing lawyer, admitted Basit into partnership by persuading him that his practice earns Rs. 20.0 million annually. Later however, it was revealed that the firm is earning not more than Rs. 8.0 million per annum. (05)
- Under the provisions of Partnership Act, 1932 describe the rights available to Basit under the circumstances. (05)
- Q.8 (a) In the light of Negotiable Instruments Act, 1881 explain the provisions relating to the enforceability of inchoate stamped instruments. Also discuss the extent to which the person signing the instrument is liable upon such instrument. (06)
- (b) Zahid draws a bill of exchange on Bader which is payable three months after sight. The bill passes several hands before Zohair becomes its holder but he lost it before it was overdue. (04)
- Explain the provisions of Negotiable Instruments Act, 1881 in respect of issuance of a duplicate bill, in the above situation. (04)
- Q.9 (a) Describe the following terms contained in Carriage of Goods by Sea Act, 1925: (04)
- (i) Carrier (ii) Goods (iii) Carriage of goods (04)
- (b) Under the provisions of Carriage of Goods by Sea Act, 1925 when would the removal of goods be prima facie evidence of the delivery by the carrier of the goods as described in the bill of lading? (04)
- Q.10 (a) Sufi, without reserving the power of revocation, conveyed his property in trust to settle the claims of his creditors. Sufi now intends to revoke the trust. Discuss whether he can do so, under the provisions of Trust Act, 1882. (02)
- (b) In the light of the Trust Act, 1882 what are the circumstances in which the beneficiary of a trust becomes liable for the breach of trust? (05)

(THE END)



Mercantile Law

Foundation Examinations – Autumn 2010
Module B

August 30, 2010
100 marks - 3 hours

- Q.1 (a) Based on the Legal System of Pakistan, identify the correct answer of the following:
- (1) District Magistrate is appointed by the:
 - (i) President
 - (ii) chief justice
 - (iii) federal government
 - (iv) provincial government
 - (2) The Civil Court does **NOT** have jurisdiction over:
 - (i) contract and tort claims
 - (ii) disputes concerning land
 - (iii) blackmailing cases
 - (iv) bankruptcy cases
 - (3) Choose the **INCORRECT** statement:
Following must be considered when examining a precedent before it can be applied to a case:
 - (i) the precedent must be a proposition of law
 - (ii) the precedent must form part of the obiter dicta of the case
 - (iii) the material facts of each case must be the same
 - (iv) the preceding court must have had a superior status to the later court, such that its decisions are binding on the later court *(03 marks)*
- (b) Briefly explain the following terms as used in the Courts in Pakistan.
- | | |
|---------------|------------------------|
| (i) Juveniles | (ii) Decision reversed |
|---------------|------------------------|
- (04 marks)*
- Q.2 Explain the term “Quasi contract”. Briefly describe different types of relationships commonly referred to as quasi contracts under the Contract Act, 1872. *(10 marks)*
- Q.3 In view of the provisions of Contract Act, 1872 identify the correct answer:
- (1) Wasi, with intent to deceive Tipu, falsely represented that twenty thousand motorcycles are manufactured annually at his factory and induced him to buy the factory. The contract is:

(i) void	(ii) Voidable
(iii) illegal	(iv) Valid
 - (2) The term “*Quid pro quo*” means:

(i) something in return	(ii) something important
(iii) something of value	(iv) something relevant
 - (3) Which of the following is not an essential element of a valid contract:

(i) adequacy of consideration	(ii) capacity to contract
(iii) free consent	(iv) none of the above
 - (4) If a contract provides for the payment of a certain amount on breach of a contract, such payment is termed as:

(i) special damages	(ii) nominal damages
(iii) liquidated damages	(iv) compensatory damages

- (5) Choose the **INCORRECT** statement:
To constitute a wager, following elements should be present in the agreement:
- (i) uncertain event
 - (ii) each party must be in a win or lose situation
 - (iii) neither party should have any control over the event
 - (iv) there should be a promise to pay money only
- (6) Aamir has proposed to sell a car to Parkash at a certain price by sending a letter. The communication of the proposal is complete when :
- (i) Aamir posts the letter
 - (ii) Parkash receives the letter
 - (iii) Aamir comes to know that Parkash has received the letter
 - (iv) Parkash posts his acknowledgment to Aamir

(06 marks)

Q.4 In the light of the provisions of Partnership Act, 1932 select the correct answer:

- (1) Public notice is **NOT** required to be given in case of:
- | | |
|------------------------------|--|
| (i) insolvency of a partner | (ii) retirement of a partner |
| (iii) expulsion of a partner | (iv) dissolution of a registered firm. |
- (2) X and Y formed a partnership firm to undertake construction of a shopping plaza. Such a partnership is called:
- | | |
|---------------------------|-----------------------------|
| (i) limited partnership | (ii) particular partnership |
| (iii) partnership at will | (iv) implied partnership |
- (3) The implied authority of a partner does **NOT** empower him to:
- (i) submit a business dispute to arbitration
 - (ii) withdraw a suit filed on behalf of the firm
 - (iii) open a banking account on behalf of the firm
 - (iv) all the above
- (4) Choose the **INCORRECT** statement:
In the absence of a contract to the contrary,
- (i) a partner is not entitled to receive remuneration for taking part in the conduct of the business
 - (ii) the partners are entitled to share profits equally
 - (iii) the partners are entitled to interest on capital subscribed by them
 - (iv) a partner shall indemnify the firm for any loss caused to it by his willful neglect
- (5) Where a partner has paid a premium on entering into partnership for a fixed term and the firm is dissolved before the expiration of that term, such partner shall **NOT** be entitled to repayment of the premium if the dissolution is :
- (i) mainly due to his own misconduct
 - (ii) in pursuance of an agreement between all the partners, containing no provision for the return of the premium
 - (iii) caused by the death of the partner
 - (iv) all the above
- (6) On dissolution of a firm, where there are joint debts due from the firm and also separate debts due from any partner, the separate property of a partner:
- (i) shall be applied proportionately in the payment of the firm's debts and his separate debts
 - (ii) cannot be used in the payment of the firm's debts
 - (iii) shall be applied, in the first instance, in payment of the firm's debts and the surplus, if any, in payment of his separate debts
 - (iv) shall be applied first in the payment of his separate debts and the surplus, if any, in the payment of the firm's debts

(06 marks)

- Q.5 (a) Explain the following as described under the Contract Act, 1872.
- (i) Undue influence **(04 marks)**
 - (ii) Contract of guarantee **(04 marks)**
- (b) Behram employed Thaseen to sell his car to Asad for Rs. 500,000 and invest the proceeds in Government Bonds. Thaseen invested Rs. 400,000 in Government Bonds and Rs. 100,000 in a blue chip company expecting a high return on such investment. Consequently, Behram lost Rs. 50,000 on the blue chip investment.

With reference to the provisions of Contract Act, 1872 describe the rights and obligations, if any, of Thaseen under the circumstances. **(04 marks)**

- Q.6 (a) Ramla borrowed Rs. 100,000 from Ovais for a period of three months and kept her jewellery with Ovais as a security. On due date, Ramla defaulted in repayment. In view of the provisions of Contract Act, 1872 describe the remedies available to Ovais under the circumstances. **(04 marks)**
- (b) Raheel leased a building from Atif, on five years term, for a rent of Rs. 200,000 per annum and the payment was guaranteed by Kamal. Raheel defaulted in payment of the rent in the third year. Atif sued Kamal and recovered the rent from him. Later, Kamal gave a notice to Atif for revoking his guarantee for the remaining period of lease.

Under the Contract Act, 1872 discuss whether Kamal is justified in doing so. **(04 marks)**

- Q.7 (a) Aziz, Zohair and Ikram are partners in Moon Enterprises, an unregistered firm, engaged in trading business. Ikram contracted on behalf of the firm to supply two tons of sugar to Mohsin in special bags of eight kg each. However, Ikram packed the sugar in bags of ten kg each. Consequently, Mohsin accepted the sugar but refused to pay the full amount resulting in a loss of Rs. 52,000 to the firm.

In the light of the provisions of Partnership Act, 1932 explain the following:

- (i) Can Zohair file a suit against Ikram for the recovery of the loss as it was caused due to Ikram's mistake? **(03 marks)**
- (ii) Can Moon Enterprises file a suit against Mohsin for the recovery of the full amount? **(03 marks)**

- (b) Advise Aziz, Zohair and Ikram about the procedure they should follow for the registration of Moon Enterprises, as enumerated under the Partnership Act, 1932. **(08 marks)**

- Q.8 (a) Under the provisions of Sale of Goods Act, 1930 briefly explain the terms "Condition" and "Warranty". Briefly describe the circumstances in which a "Condition" can be treated as a "Warranty" under the above Act. **(07 marks)**

- (b) When is a buyer deemed to have accepted the goods under the Sale of Goods Act, 1930? **(03 marks)**

- (c) Arif contracted to purchase from Talib 100 containers of cooking oil in special size containers of 15 liters each. When ready and packed, Talib informed Arif. Before Arif could reach the premises, fire broke out and the entire stock was destroyed. Arif contended that Talib should bear the loss as the goods were not delivered to him.

Who in your opinion should bear the loss? Discuss with reference to the Sale of Goods Act, 1930? **(03 marks)**

- Q.9 (a) Based on the provisions of Negotiable Instruments Act, 1881 briefly explain whether the following are promissory notes or not.
- (i) I promise to pay Rahat on demand Rs. 5,000 at my convenience.
 - (ii) On demand, I promise to pay Sonu or order Rs. 5,000, for value received.
 - (iii) I promise to pay Adil or order Rs. 5,000 and 500 shares of Sigma Limited.
 - (iv) I promise to pay Mahi or order Rs. 5,000 with interest calculated at quarterly rests.
 - (v) I promise to pay you or your successors on demand Rs. 10,000.
 - (vi) I promise to pay Rafi or order Rs. 10,000 seven days after Salik's death.
 - (vii) I am liable to pay Ahmad Rs. 5,000. *(07 marks)*
- (b) Haris drew a bill of exchange on Idress which was payable three months after sight. The bill passed several hands before Ali became its holder. Ali presented the bill to Idress for payment who dishonoured the bill by non-payment. Fouad, in turn, paid the bill to Ali without any consideration.

Under the Negotiable Instruments Act, 1881 enumerate the rights available to Fouad on the bill and the conditions he must fulfill to enforce such rights. *(05 marks)*

- Q.10 (a) Under the Carriage of Goods by Sea Act, 1925 list various circumstances under which a carrier shall not be responsible for loss or damage to the cargo. *(08 marks)*
- (b) Ashok, Ravi and Meher were partners. Ashok bequeathed all his property in the partnership business to Ravi in trust for Mazen. Ashok died. Ravi and Meher continued with the partnership business without settling the account of Ashok.

In the light of the Trust Act, 1882 discuss the rights available to Mazen against Ravi and Meher. *(04 marks)*

(THE END)



Mercantile Law

Foundation Examination – Spring 2011
Module B

March 7, 2011
100 marks - 3 hours

- Q.1 Select appropriate answer from the options available for each of the following multiple choice questions (MCQs). Each MCQ carries **ONE** mark.
- (i) The Family Courts deal with:
 - (a) divorce cases.
 - (b) family property cases.
 - (c) proceedings relating to wardship, guardianship, adoption, etc.
 - (d) all of the above.

 - (ii) The Federal Shariat Court consists of:
 - (a) at least eight Muslim Judges including the Chief Justice and out of these, not more than three shall be Ulema who should be well versed in Islamic Law.
 - (b) not more than eight Muslim Judges including the Chief Justice who are appointed by the President. Out of the number of Judges not more than three shall be Ulema who should be well versed in Islamic Law.
 - (c) eight Muslim Judges including the Chief Justice and all of them shall be Ulema who should be well versed in Islamic Law.
 - (d) not more than eight Judges including the Chief Justice who are appointed by the President. Out of the number of Judges not more than three shall be Ulema who should be well versed in Islamic Law.

 - (iii) Karim borrowed Rs. 500,000 from Bashir in 2002. The debt became time-barred under the limitation law. However, Karim met Bashir in 2009 and verbally acknowledged his liability to the extent of Rs. 300,000. Can Bashir hold Karim liable?
 - (a) No, the promise should be for entire debt.
 - (b) Yes, the promise is valid as an exception to agreement without consideration.
 - (c) No, because it is not a written and signed promise.
 - (d) Yes, he admitted his liability partly in satisfaction of whole debt.

 - (iv) The effect of refusal to accept a properly made offer of performance is that:
 - (a) the promisor is not responsible for non-performance and can sue the promisee for the breach of contract.
 - (b) such offer lapses on rejection by the offeree.
 - (c) the contract is rendered voidable at the option of promisor.
 - (d) the contract is discharged by anticipatory breach.

 - (v) A surety is NOT discharged from his liability:
 - (a) if terms of contract are varied without his consent.
 - (b) if the creditor gives time to the principal debtor without his consent.
 - (c) if the creditor releases the other co-surety.
 - (d) if the creditor releases the principal debtor.

 - (vi) Which of the following case is not covered by the concept of supervening impossibility?
 - (a) Destruction of subject matter
 - (b) Death or incapacity of the promisor
 - (c) Outbreak of war
 - (d) Difficulty of performance

- (vii) Abdul Majid contracted to supply a specialized machine at Sultan's factory in Lahore. Sultan informed him that if the machine does not reach his factory on time, he will incur an average loss of Rs. 20,000 per day. Abdul Majid delivered the machine a week after the agreed time owing to his other commitments. Due to this delay, Sultan lost a contract which could have generated a profit of Rs. 250,000. Sultan is entitled to receive from Abdul Majid a compensation of:
- Rs. 250,000
 - Rs. 140,000
 - Rs. 390,000
 - any amount which the Court deems fit subject to a maximum of Rs. 390,000
- (viii) A firm is liable to make good the loss of third party if:
- one of the partners acting within his apparent authority misapplies the money or property received from a third party.
 - one of the partners misapplies the money or property received from a third party by the firm in the course of its business while it is in the custody of the firm.
 - 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.
 - all of the above.
- (ix) The conclusive evidence of a partnership is:
- | | |
|--------------------------|--------------------------------|
| (a) mutual agency | (b) sharing of profit and loss |
| (c) mutual understanding | (d) capital contribution |
- (x) A partnership firm is dissolved compulsorily when:
- one of the partners dies.
 - one of the several ventures carried on by the firm is illegal.
 - all the partners except one, are adjudged insolvent.
 - one of the partners becomes insane.
- (xi) In the absence of a contract to the contrary, the buyer of goodwill of the firm can prevent the partners of the dissolved firm from:
- carrying on a business competing with that of buyer.
 - representing themselves as carrying on the business of the old firm.
 - advertising for their new business.
 - all of the above.
- (xii) Which of the following is a sale?
- Kawish agrees to buy 100 kgs of wheat at Rs. 40 per kg from Barkat and the wheat is yet to be weighed.
 - Tasawwar agrees to buy Ikram's car for Rs. 500,000 if his solicitor approves.
 - Tanveer and Inaam are joint owners of a diamond necklace. Tanveer transfers his share to Inaam for Rs. 5 million.
 - Vazir agrees to buy furniture from Wali for Rs, 100,000 provided Wali acts as his surety in a transaction with Yameen.
- (xiii) Amin places an order with Ghulam Rasool for supply of 30 bottles of apple juice. Ghulam Rasool supplied 40 bottles. Amin has a right to:
- | | |
|---|-----------------------|
| (a) accept the whole. | (b) reject the whole. |
| (c) accept and pay for 30 and return the balance. | (d) all of the above. |
- (xiv) Right of stoppage in transit is available to seller when:
- the goods are in transit and the buyer fails to pay the price on the due date.
 - the goods are in transit and the buyer becomes insolvent.
 - the seller has not expressly waived his right.
 - the buyer or his agent fails to obtain possession of goods.
- (xv) If the seller makes use of pretended bidding to raise the price during an auction, the sale is:
- | | |
|-------------------|--------------------------------------|
| (a) void. | (b) voidable at the option of buyer. |
| (c) not voidable. | (d) none of the above. |

- Q.2 Briefly describe the following legal terms:
- | | | |
|-----------------|-----------------------|-------------------|
| (a) Arbitration | (b) Exemplary Damages | |
| (c) Precedent | (d) Ratio Decidendi | (06 marks) |
- Q.3 (a) Zaheer, an accountant in Abid's company, embezzled and absconded with Rs. 5 million. Abid obtained a promissory note from his wife, Bint-e-Aslam, for the said amount when he informed her that her husband would be arrested against the charge and his name would appear in the newspapers. Can Bint-e-Aslam avoid the contract? Discuss in the light of the Contract Act, 1872. **(03 marks)**
- (b) Binyamin borrowed Rs. 1 million from Hatim and Tahir jointly and promised to repay the amount on March 1, 2011. With reference to the Contract Act, 1872, state who can claim performance in the following situations.
- | | |
|--|-------------------|
| (i) Both Hatim and Tahir are alive on due date | |
| (ii) Hatim dies before due date | |
| (iii) Both Hatim and Tahir die before the due date | (02 marks) |
- (c) Mujahid agreed to accept Rs. 300,000 from Adnan against a debt of Rs. 400,000 if Adnan pays within a week. Adnan did not tender the required amount within this period.
- | | |
|---|-------------------|
| (i) What rights are available to Mujahid under the Contract Act, 1872? | |
| (ii) If Adnan tenders the said amount on the fifteenth day and Mujahid accepts it, what rights are available to Mujahid under the Contract Act, 1872? | (05 marks) |
- Q.4 (a) Amin, Imran and Shahid agreed to act as sureties for Emmad to Saleem and agreed to pay Rs. 20,000, Rs. 30,000 and Rs. 40,000 respectively in case of default by Emmad. On such surety Saleem lent Rs. 90,000 to Emmad. Emmad repaid Rs. 6,000 only. Saleem called upon the sureties to pay the balance of Rs. 84,000. Discuss keeping in view the Contract Act, 1872 how much should each surety pay. **(03 marks)**
- (b) Under what circumstances a contract of bailment may be terminated? **(05 marks)**
- Q.5 (a) Briefly describe the rules specified in the Contract Act, 1872 in respect of the following.
- | | |
|---|-------------------|
| (i) Time and place for performance where these have not been specified in the contract; | (03 marks) |
| (ii) Order of performance of reciprocal promises; and | (02 marks) |
| (iii) Effect of release by promisee of one of the joint promisors. | (02 marks) |
- (b) Maimar promised to manufacture and deliver to Nasir, remote-controlled toy helicopters of agreed specifications in first week of March 2011. Nasir in turn promised to pay for them by second week of March 2011. Maimar did not deliver the toys according to his promise. Should Nasir keep his promise and what remedy, if any, is available to him? **(02 marks)**
- Q.6 (a) Uzair, Vaqar and Waheed are partners in a firm. Waheed wants to make his nephew Yawar who is 17 years old, a partner. Explain whether and under what conditions Yawar can join the partnership. What will be Yawar's rights and liabilities under the Partnership Act, 1932? **(07 marks)**
- (b) Kashif, Irfan and Shujaat are partners in a firm. Irfan bought a shop in his own name. He issued a cheque from the partnership account and debited his account with the purchase price. He rented out the shop and credited the receipts of rent in his capital account. Kashif has objected to this practice and asked Irfan to register the shop in the firm's name contending that the shop is partnership's property. Irfan disagrees.
- Explain what constitutes partnership property under the Partnership Act, 1932 and whether the shop is partnership property or not. **(07 marks)**

- Q.7 (a) Salman is an agent of Malik and has an authority to draw bills of exchange on Malik's behalf. Ghani who had supplied goods to Malik on credit approached Salman to accept a bill of exchange for the amount due. Salman signed the bill of exchange. On due date, Malik did not honour the bill. Discuss the rights and liabilities of Salman under the Negotiable Instruments Act, 1881. **(03 marks)**
- (b) When a promissory note or bill of exchange has been dishonoured by non-acceptance or non-payment, the holder is required to cause such dishonour to be noted and protested by a notary public. What are the contents of such protest as required by the Negotiable Instruments Act, 1881? **(07 marks)**

- Q.8 (a) Asif Khan purchased a refrigerator set from Abdul Ghaffar and paid for it on the spot. Abdul Ghaffar agreed to deliver it at Asif Khan's house the next day. Later the same day Faheem saw the refrigerator, which was still in Abdul Ghaffar's shop and agreed to buy it from Abdul Ghaffar. Faheem also paid cash and took the refrigerator away. Abdul Ghaffar is in financial difficulties and neither Asif Khan nor Faheem can recover their money.

Explain who is entitled to the refrigerator and why. **(05 marks)**

- (b) Junaid agreed to supply to Daniyal, 10 bags of 50 kg each of A quality wheat flour at Rs. 2,000 per bag. However, Junaid supplied B quality wheat flour which was available at Rs. 1,900 per bag.

Which type of breach has Junaid committed? What are the rights and remedies available to Daniyal as per the Sale of Goods Act, 1930? **(06 marks)**

- (c) List the responsibilities of a seller and the rights of the buyer as specified in the Sale of Goods Act, 1930 in respect of delivery of goods to a carrier or wharfinger. **(05 marks)**

- Q.9 (a) Gulzar Associates loaded a cargo of explosives to be used in demolition of old buildings in a ship owned by Mehran Shipping Company. What will be the rights and liabilities of the shipper and the carrier if the explosives were shipped:

- (i) without the consent of Mehran Shipping Company.
 (ii) with the consent of Mehran Shipping Company. **(05 marks)**

- (b) Ripple Shipping Company issued a bill of lading acknowledging receipt of a package of pistachios (as declared by the supplier). However the package contained cashew nuts. While unloading the ship the stevedores employed by the shipping company damaged the goods, on account of their negligence. Explain whether Ripple Shipping Company is liable for the loss. **(02 marks)**

- Q.10 Saeed, Aamir and Saleem are three beneficiaries to a plot of land, all competent to contract. Kamran, the author of the trust, directs Latif, a trustee, to sell the plot to Mansoor for a specified sum. However, all the beneficiaries want to override the instructions of Kamran.

Keeping in view the provisions of the Trust Act, 1882 advise how Latif should act in each of the following situations:

- (a) If the beneficiaries instruct him to sell the plot to Moin for a lesser amount.
 (b) They instruct him to sell the plot to Navid for a higher amount. Navid has promised to pay some token money immediately and the balance after a year. However, according to Latif's sources, Navid does not enjoy sound credibility. **(05 marks)**

(THE END)



Mercantile Law

Foundation Examination
Autumn 2011
Module B

5 September 2011
100 marks – 3 hours
Additional reading time – 15 minutes

Instructions to candidates:

- (i) *All the Question from Section – A are compulsory.*
(ii) *Attempt any FOUR out of SIX Questions from Section – B.*
-

Section A

Q.1 Select appropriate answer from the options available for each of the following multiple choice questions (MCQs). Each MCQ carries **ONE** mark.

- (i) The Federal Shariat Court examines and decides the question whether or not any law or provision of law is repugnant to the Injunctions of Islam on:
- (a) its own motion.
 - (b) the petition of a citizen of Pakistan.
 - (c) the petition of Federal/Provincial Government.
 - (d) initiation from any of the above.
- (ii) A court of first instance is the court:
- (a) where the case is originally heard in full.
 - (b) which has given its first verdict.
 - (c) where the original decision is reversed.
 - (d) of magistrates.
- (iii) In which of the following circumstances a contract can be treated as discharged under the concept of supervening impossibility?
- (a) spurt in prices
 - (b) change in import policy
 - (c) non-receipt of raw material from the supplier
 - (d) shortage of working capital
- (iv) Under the Contract Act, 1872 a person is said to be of sound mind for the purpose of making a contract if:
- (a) he is not illiterate and can read and understand the terms of the contract.
 - (b) he is capable of understanding the contract and forming a rational judgement as to its effect upon his interests.
 - (c) he is of the age of majority and is not disqualified from contracting by any law to which he is subject.
 - (d) he is not suffering from any mental disease or distress.
- (v) Pervaiz contracted with Dilbar, a comedian, for performance in a live show and paid Rs. 200,000 in advance. Before the show, Dilbar had an accident and was hospitalized. He could not appear in the show due to which Pervaiz suffered a loss of Rs. 500,000. Dilbar is liable to pay Pervaiz:
- (a) Rs. 200,000
 - (b) Rs. 500,000
 - (c) Rs. 700,000
 - (d) nothing as his absence was not wilful.

- (vi) Subject to contract between the partners, a change may be made in the nature of business of the firm:
- with the consent of active partners managing the business.
 - with the consent of majority of partners.
 - with the consent of all the partners.
 - with the consent of all the partners and Registrar of Firms.
- (vii) In a 'partnership at will', a partner may retire:
- with the consent of all other partners.
 - in accordance with an express agreement between the partners.
 - by giving notice in writing to all the other partners, of his intention to retire.
 - in any one of the manners described above.
- (viii) Emmad and Faraz are partners in cloth trading business. In the presence of Faraz, his friend Ghalib boasted that he is also a partner in the business, in front of Haroon, a customer. Haroon gave this information to Ismail and on this belief, Ismail supplied cloth on credit to the firm. Can Ismail make Ghalib liable for the unpaid amount in this transaction?
- No, as Ghalib did not present himself as a partner, in front of Ismail.
 - Yes, as Ismail gave credit to the firm on the faith of Ghalib's representation.
 - No, as Ghalib is not a partner in the firm.
 - Yes, as Ghalib did it intentionally to deceive others.
- (ix) Which of the following condition is implied in a contract for sale by sample?
- The bulk shall correspond with the sample.
 - The buyer shall have a reasonable opportunity of comparing the bulk with the sample.
 - The goods shall be free from any defect, rendering them unmerchantable which would not be apparent on reasonable examination of the sample.
 - All of the above
- (x) Jahan agreed to sell two of his motorcycles to Khurram at a price to be fixed by Lehri. Lehri refused to fix the price of the motorcycles. By that time, Khurram had taken delivery of one motorcycle. What option is available to Jahan?
- Deliver the other motorcycle and demand market price for both the motorcycles.
 - Demand return of the motorcycle from Khurram as Lehri failed to fix the price.
 - Demand a reasonable price for the motorcycle that was delivered and need not deliver the other motorcycle.
 - All of the above.
- (xi) When the seller is ready and willing to deliver the goods and requests the buyer to take delivery and the buyer does not take delivery of the goods within reasonable time after such request, the buyer is liable to the seller for:
- any loss occasioned by his neglect or refusal to take delivery.
 - a reasonable charge for the care and custody of the goods.
 - damages for non acceptance in case seller sues him.
 - all of the above.
- (xii) An agent becomes personally liable on a bill of exchange when:
- he signs it as an agent for and on behalf of a principal.
 - he adds to his signature, words describing him as an agent.
 - he signs it for and on behalf of a principal on assurance by the person inducing him to sign on the belief that principal alone would be held liable.
 - he signs it under the specific authority extended by the principal.

- (xiii) Mohsin supplied goods to Nomi on credit for Rs. 40,000. He drew a bill of exchange for Rs. 50,000 payable after three months on Nomi, which Nomi accepted. Mohsin discounted the bill. On due date Nomi did not honour the bill. Mohsin can recover from Nomi:
 - (a) Rs. 40,000
 - (b) Rs. 50,000
 - (c) Rs. 10,000
 - (d) nothing as it was an accommodation bill.
- (xiv) If the finder of a lost bill obtains payment, the person who pays in due course:
 - (a) is liable to all prior parties.
 - (b) continues to be liable to the person who lost the bill.
 - (c) does not get a valid discharge for the bill.
 - (d) gets a valid discharge for the bill.
- (xv) Which of the following is **NOT** a material alteration of a negotiable instrument?
 - (a) A new party is added to the instrument.
 - (b) The sum payable is changed in the instrument.
 - (c) The crossing of an uncrossed cheque.
 - (d) Tearing off the material part of the instrument.

Q.2 How is a law promulgated when national assembly is not in session? Is such law in any way different from an act of parliament? What is its tenure? (05 marks)

Q.3 (a) Following is the statement on August 4, 2011 of sums payable by Ubaid on account of cloth supplied by Bilal:

Date of transaction	Rupees	Remarks
01/01/2008	37,000	Time barred under Limitation Act.
02/03/2009	20,000	
30/08/2010	50,000	Guaranteed by Wasim.
28/04/2011	63,000	
	170,000	

Ubaid sent a cheque for Rs. 70,000 on August 5, 2011. There being no instructions from Ubaid, Bilal adjusted the payment against the following:

Date of transaction	Rupees
01.1.2008	37,000
02.3.2009	20,000
28.4.2011	13,000
	70,000

The guarantor (Wasim) objected to such appropriation and claimed that since the amount of Rs. 37,000 was time barred, it should not be adjusted and the full amount guaranteed by him should be fully adjusted. Is the objection of Wasim valid? (05 marks)

- (b) Discuss how should the above payment of Rs. 70,000 be applied under each of the following **independent** circumstances, according to the provisions of the Contract Act, 1872:
 - (i) The following words were written on the back of the cheque:
 $(20,000 + 50,000 = 70,000)$ (02 marks)
 - (ii) No instructions about appropriation of payment were given by Ubaid. Bilal did not make any appropriation either. (02 marks)

- (c) A was badly in need of money and offered to sell his motorcycle worth Rs. 50,000 to B for Rs. 10,000. B accepted the offer but before the motorcycle could be delivered, A received another offer for Rs. 35,000 and sold the motorcycle. A refused to carry out the contract with B on the ground of inadequacy of consideration. Is A liable to B for damages? *(03 marks)*

- Q.4 (a) Distinguish between fraud and misrepresentation. *(05 marks)*
- (b) X appointed Y as his agent to collect rent and asked him to execute a fidelity bond in which Z was the surety. Some time after execution of the bond, Z died. Y committed various acts of dishonesty after Z's death. Is Z's estate liable for loss caused to X? Explain. *(03 marks)*
- (c) Saima and Nishat jointly own many exotic sets of bridal jewellery. Nageen borrowed a set from them for her wedding and agreed to return it after the wedding. In the absence of any agreement between them, to whom should Nageen return the jewellery? *(03 marks)*

- Q.5 Faiz, Ghani and Habib are partners in a trading business. They have incurred losses in the last two years of business and have agreed to dissolve the partnership. Habib is heavily indebted in his individual capacity and his personal assets are not enough to meet his obligation.

State how the accounts of the firm and the private debts of Habib be settled, if the partnership agreement does not prescribe any mode of settlement of accounts upon dissolution. *(07 marks)*

- Q.6 (a) Can an overdue instrument be negotiated? Explain. *(05 marks)*
- (b) State the rules relating to transfer of property to the buyer, in case of unascertained and future goods, as prescribed by the Sales of Goods Act, 1930. *(05 marks)*

Section B

- Q.7 (a) Define acceptance. When is an acceptance considered valid, under the Contract Act, 1872? *(07 marks)*
- (b) Omair did not pay rent of his shop for 3 months. Qasim, a mutual friend, with the good intention of mending the relationship between Omair and the landlord, paid the rent. After a year, Omair promised to repay Qasim. With reference to the relevant provisions of the Contract Act, 1872 explain whether Qasim can enforce this promise. *(03 marks)*
- Q.8 Narrate the duties of an agent towards his principal as specified in the Contract Act, 1872. *(10 marks)*
- Q.9 Based on the provisions contained in the Sale of Goods Act, 1930 explain the rules relating to the following in case of sale by auction:
- (a) goods put up for sale in lots.
 (b) the time by which a bidder may retract his bid.
 (c) right of the seller to make a bid.
 (d) reserve price. *(10 marks)*

- Q.10 (a) Explain the implied warranties and conditions in a contract of sale as regards the goods and their fitness for any particular purpose, where the goods are sold by description but not by sample. *(07 marks)*
- (b) How is an implied warranty or condition affected by an express warranty or condition? *(03 marks)*
- Q.11 (a) What liabilities does the drawer of a bill of exchange incur under the Negotiable Instruments Act, 1881? *(03 marks)*
- (b) When must a bank refuse payment against a cheque? *(07 marks)*
- Q.12 (a) Manpasand Foods (MF) shipped canned food and fruits on a ship owned by Samundar Shipping Company. On reaching the destination, it was found that the quality of goods had deteriorated during the voyage owing to the malfunctioning of air conditioning system of the ship. State the conditions that need to be satisfied and the procedure which MF should follow, to file the claim against Samundar Shipping Company for loss as prescribed by the Carriage of Goods by Sea Act, 1925. *(05 marks)*
- (b) Wahab transferred his house to Quresh and Raees under a trust deed. They were required to sell the house within three years and invest the proceeds for the benefit of Sohail who is competent to contract.

How should Quresh and Raees respond in each of the following independent circumstances, keeping in view the requirements of the Trust Act, 1882?

- (i) Sohail directs Quresh and Raees to transfer the house in his name.
- (ii) Sohail directs Quresh and Raees to transfer the house in the name of his brother Suraj.
- (iii) Quresh and Raees sold the property and Raees collected the proceeds. Quresh was busy in his business. After three years Quresh enquired about the trust money from Raees. Raees was insolvent and could not pay anything. *(05 marks)*

(THE END)



Mercantile Law

Foundation Examination
Spring 2012
Module B

5 March 2012
100 marks - 3 hours
Additional reading time - 15 minutes

Instructions to candidates:

- (i) *All the Questions from Section-A are compulsory.*
(ii) *Attempt any FOUR out of SIX Questions from Section-B.*
-

Section A

- Q.1 Select appropriate answer from the options available for each of the following multiple choice questions (MCQs). Each MCQ carries **ONE** mark.
- (i) A positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true is said to be a:
(a) fraud (b) misrepresentation (c) mistake (d) misinterpretation
- (ii) According to the Sale of Goods Act, 1930 documents of title to goods include:
(a) bill of lading. (b) railway receipt.
(c) warehouse keeper's certificate. (d) all of the above.
- (iii) A minor can:
(a) be an agent (b) be a principal (c) both (d) none
- (iv) In the case of goods sold on sale or return basis, the property in goods passes:
(a) when price is paid. (b) when goods are delivered.
(c) when approval is conveyed. (d) in all of the above cases.
- (v) Partnership is:
(a) the relationship between persons who have agreed to share the profits of jointly owned property managed by all or any of them acting for all.
(b) the relationship created by an agreement between a banking company and person(s) providing for sharing of profit and loss arising from the finance provided to such person(s).
(c) both of the above.
(d) the relation between persons arising from a contract who have agreed to share the profits of a business carried on by all or any of them acting for all.
- (vi) The consent is said to be free when:
(a) two or more persons agree upon same thing in the same sense.
(b) all parties to the contract benefit from the contract.
(c) it is not the result of coercion or undue influence or fraud or misrepresentation or mistake.
(d) all of the above.
- (vii) What are the consequences of resale of goods by unpaid seller where he expressly reserves such right in case of buyer's default?
(a) The original contract of sale is rescinded.
(b) The new buyer acquires a good title thereto.
(c) The seller may claim damages based on the original contract of sale.
(d) All of the above.

- (viii) Laila, Munir and Naseem were partners in a firm. After Naseem's death, Laila and Munir continued the partnership. Public notice of Naseem's death was not given by the surviving partners or the legal representatives of Naseem.

Omar supplied goods on credit to the firm assuming Naseem to be a partner in the firm. Laila and Munir are unable to settle the debt. Can Omar recover his debt from Naseem's estate?

- (a) No, as the transaction was made after Naseem's death.
 (b) Yes, but only after Naseem's private debts have been paid off.
 (c) Yes, as Omar extended credit on the faith of Naseem being a partner in the firm.
 (d) Yes, as neither the surviving partners nor the legal representatives of Naseem gave public notice of his death.
- (ix) Peter sold 40 cartons of mangoes to Raheel for Rs. 30,000. Raheel took delivery of 15 cartons and requested Peter to hold the remaining 25 cartons which Raheel agreed to collect soon. Owing to the weather conditions, without any negligence on the part of Peter, the quality of mangoes deteriorated. Raheel refused to take delivery and pay their price. Is Raheel justified and should the loss of 25 cartons be borne by Peter?
- (a) No, but Raheel can sue for damages.
 (b) Yes, as the condition as to wholesomeness is violated.
 (c) Yes, as mangoes though sold were still in Peter's possession.
 (d) No, because at the time of agreement these were specific goods in a deliverable state.
- (x) An instrument is said to be ambiguous if:
- (a) no time for payment is specified in it.
 (b) it may be construed either as a promissory note or a bill of exchange.
 (c) the amount in figures differs from the amount in words.
 (d) all of the above.
- (xi) Sohail issued a cheque of Rs. 500,000 payable to Tanveer at sight. Sohail had sufficient funds at the bank to meet this payment. However, Tanveer presented the cheque at the bank after two weeks by which time the bank had failed. Can Tanveer recover the amount from Shoail?
- (a) Yes, as the debt is not discharged.
 (b) Yes, as Sohail has not suffered actual damage through any delay in presenting the cheque.
 (c) Yes, as Sohail did not advise Tanveer to encash the cheque immediately.
 (d) No, Sohail is discharged and Tanveer can now claim the amount of cheque from the bank.
- (xii) On dissolution of a firm, the separate property of a partner:
- (a) can be used both for firm's debts and private debts proportionately.
 (b) can be used in accordance with the court's judgment.
 (c) cannot be used in paying the firm's debts.
 (d) must be applied first in payment of his private debts and surplus in payment of the debts of the firm.
- (xiii) Sarmad is a beneficiary in a trust. He knowingly obtains an advantage without the consent of the other beneficiaries. The other beneficiaries are entitled to:
- (a) sue the trustees for making good the loss incurred by the other beneficiaries.
 (b) sue Sarmad for making good the loss incurred by the beneficiaries.
 (c) impound Sarmad's beneficial interest in the trust to compensate the loss.
 (d) all of the above.
- (xiv) The provision of Sale of Goods Act, 1930 are applicable to:
- (a) immovable goods.
 (b) all type of goods.
 (c) moveable goods.
 (d) moveable goods other than actionable claims and money.

- (xv) Liquidated damages mean:
- A sum calculated at the time of breach of contract, equivalent to difference between the contract price and market price, at the place of performance.
 - A sum fixed at the time of entering into a contract which compensates the aggrieved party for direct/indirect loss arising from the breach.
 - A sum fixed as compensation for any loss or damage which the parties knew, when they made the contract, to be the likely result from the breach of contract.
 - None of the above.
- Q.2 (a) How and on what grounds a proposal stands revoked? *(04 marks)*
- (b) What is the time limit after which a proposal cannot be revoked? *(03 marks)*
- Q.3 (a) Define a pledge, a pawnor and a pawnee. For what purposes can the pledged goods be retained? *(05 marks)*
- (b) Mash Bank granted a loan of Rs. 10 million to Tahir Limited against the pledge of shares of a listed company. Tahir Limited defaulted on repayment of the loan. The market value of the shares at the time of default was Rs. 9 million.
- What remedies are available to Mash Bank in the above situation? *(04 marks)*
- Q.4 (a) A and B are partners in a barbeque business. They decided to sell their business alongwith its goodwill to Lahori Maza which is owned by C. Describe the rights of above parties under the Partnership Act, 1932 if A and B decide to carry on similar business and nothing is mentioned in this regard under the agreement. *(05 marks)*
- (b) Explain the following terms as given in the Negotiable Instrument Act, 1881:
- payment in due course
 - holder
 - holder in due course
- (08 marks)*
- Q.5 Younus repossessed the goods which he had sold to Ibad as Ibad had failed to pay the price. Describe the circumstances under which Younus can exercise his right of resale and how the resulting surplus or loss may be dealt with, as specified under the Sale of Goods Act, 1930. *(06 marks)*
- Q.6 (a) With reference to the Carriage of Goods by Sea Act, 1925 state the particulars that a bill of lading may contain. *(04 marks)*
- (b) How and by whom may a trust be revoked under the Trust Act, 1882? *(06 marks)*

Section B

- Q.7 (a) How does the High Court exercise its supervisory role over subordinate courts? Describe the three types of prerogative orders that it may issue. *(05 marks)*
- (b) Briefly explain the term 'substituted agent' in the light of Contract Act, 1872. Is the (original) agent responsible to the principal for the acts of a substituted agent? *(05 marks)*
- Q.8 (a) Faiz had sold goods on credit to Gulzar for Rs. 5 million on guarantee of Haseeb. Gulzar has also mortgaged his shop as a security against the above amount. Haseeb was unaware of this mortgage and honoured his guarantee when Gulzar failed to make the payment. What rights are available to Haseeb under the Contract Act, 1872? *(04 marks)*
- (b) When and how a continuing guarantee is revoked? *(06 marks)*

- Q.9 Describe the provisions of Contract Act, 1872 related to the following:
- (a) Assessment of compensation for loss or damage caused by breach of contract. *(05 marks)*
 - (b) Obligations of persons enjoying benefit under the quasi contracts. *(05 marks)*
- Q.10 (a) Describe the liabilities of:
- (i) a partner for the acts of the firm.
 - (ii) the firm for wrongful acts of a partner.
 - (iii) the firm for misapplication of money or property by a partner. *(08 marks)*
- (b) A and B were partners in an unregistered firm carrying on business of printing and stationery. The firm advanced Rs. 50,000 to C for supply of printing paper. Soon afterwards, the firm was dissolved. On division of assets of the partnership, this debt of Rs. 50,000 was allotted to A. Can A sue C to recover the amount? *(02 marks)*
- Q.11 (a) State the presumptions that are applicable to all negotiable instruments unless the contrary is proved. *(07 marks)*
- (b) A draws a bill on B who accepts it without consideration. A indorses the bill to C for valuable consideration. On due date C presents the bill to B for payment but B contends absence of consideration and refuses to pay. Is B's contention justified? *(03 marks)*
- Q.12 List the circumstances as mentioned in the Sale of Goods Act, 1932 under which a person who is not the owner of the goods can convey a good title to a buyer if the buyer buys in good faith and has no notice that the seller has no authority to sell. *(10 marks)*

(THE END)



Mercantile Law

Foundation Examination
Autumn 2012
Module B

3 September 2012
100 marks – 3 hours
Additional reading time – 15 minutes

Instructions to candidates:

- (i) *All the Questions from Section-A are compulsory.*
(ii) *Attempt any FOUR out of SIX Questions from Section-B.*
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Section A

- Q.1 Select appropriate answer from the options available for each of the following multiple choice questions (MCQs). Each MCQ carries **ONE** mark.
- (i) A High Court has a supervisory role over other courts subordinate to it. It may issue a writ of habeas corpus which is an order:
- (a) to prevent a court or tribunal from exceeding its jurisdiction.
(b) to submit the record of the subordinate court's proceedings to the High Court for review.
(c) for the release of a person wrongfully detained.
(d) to carry out a public duty.
- (ii) The fundamental principle of awarding damages is:
- (A) to punish the guilty party for breach of contract.
(B) to compensate the innocent party.
(C) to put the innocent party in the same position as if the contract had been carried out correctly.
- (a) (B) only. (b) (C) only.
(c) (B) and (C). (d) (A), (B) and (C).
- (iii) C refused to sell certain goods to D at the previously agreed price of Rs. 240 thousand. D sued C for breach of contract. If identical goods are readily available in the market at a price of Rs. 220 thousand, which one of the following is correct?
- (a) D is entitled to an order of specific performance, forcing C to carry out the contract.
(b) D is entitled to damages of Rs. 20,000.
(c) D is entitled to nominal damages only.
(d) D is not entitled to damages.
- (iv) A owns some land, part of which is woodland. He sells the land to B who covenants in the contract that he will not cut down the trees. One year later, B prepares to cut down the trees. What remedy can A seek?
- (a) damages. (b) specific performance.
(c) injunction. (d) rescission.
- (v) Which of the following may employ an agent?
- (a) any person who is capable of understanding the contract and forming a rational judgment as to its effect upon his interest.
(b) any person who is engaged in business or profession.
(c) any person who is of the age of majority according to the law to which he is subject and who is of sound mind.
(d) all of the above.

- (vi) The following is not a ground for dissolution of a partnership by a court:
- continued losses;
 - persistent breach of agreement by a partner;
 - insolvency of a partner;
 - a partner becoming of unsound mind.
- (vii) When a firm is dissolved, the assets of the firm are applied to:
- distribute cash among the partners in the profit and loss ratio;
 - pay to each partner ratably what is due to him on account of capital;
 - pay the debts of the firm to third parties; and
 - pay to each partner ratably what is due to him from the firm for advances as distinguished from capital.
- These steps should be performed in the following order:
- (D), (C), (A), (B)
 - (C), (B), (A), (D)
 - (D), (A), (C), (B)
 - (C), (D), (B), (A)
- (viii) A minor admitted to the benefits of partnership in a registered firm on attaining majority decides to become a partner. He has to give a public notice of his decision to become a partner by:
- publication in the Official Gazette and in at least one vernacular newspaper.
 - publication in at least one English newspaper and one Urdu newspaper.
 - a notice to the Registrar of Firms and by publication in the Official Gazette and in at least one vernacular newspaper circulating in the district where the firm to which it relates has its place or principal place of business.
 - a notice to the Registrar of Firms and by publication in the Official Gazette.
- (ix) A new partner can be admitted into a firm:
- with the consent of majority of the partners.
 - with the consent of all the partners.
 - with the consent of senior most partner.
 - with the consent of a court.
- (x) A buyer is deemed to accept the goods:
- when he has taken the delivery of goods.
 - when he does any act which is inconsistent with the ownership of the seller.
 - when he pays the price of the goods.
 - all of the above.
- (xi) The making, acceptance or endorsement of a promissory note, bill of exchange or cheque is completed by:
- signature of maker, acceptor or endorser.
 - delivery, actual or constructive.
 - endorsement and delivery thereof.
 - presentment for payment.
- (xii) Ghalib accepted for honour a bill of exchange which has been noted and protested for non-acceptance. If his acceptance does not express for whose honour it is made, then such acceptance is:
- invalid.
 - deemed to be made for the honour of the drawee.
 - deemed to be made for the honour of the drawer.
 - for the honour of any party to the bill.
- (xiii) Ismail, an endorser of a promissory note, paid the amount due on its dishonour, to the holder. He will now be entitled to receive from the maker of promissory note:
- the amount paid by him.
 - the amount so paid with interest at six percent per annum from the date of payment until tender or realization thereof.
 - the amount so paid together with all expenses caused by the dishonour and payment.
 - the amount so paid with interest at six percent until tender or realization thereof, together with all expenses caused by the dishonour and payment.

- (xiv) Which of the following statements is incorrect?
- A breach of condition only gives the injured party the right to terminate the contract.
 - A breach of warranty does not give the injured party a right to rescission.
 - A breach of condition gives the injured party the right to terminate the contract and claim damages.
 - A breach of warranty gives the injured party a right to claim damages.
- (xv) In a contract of sale, there is no implied condition that:
- the goods suit the purpose of the buyer.
 - the bulk should correspond with the sample in sale by sample.
 - the seller has a valid title to the goods.
 - the goods must correspond with their description where there is a sale by description.
- Q.2 (a) Distinguish between civil law and criminal law giving two examples of each. *(06 marks)*
- (b) What are the requisites of a binding precedent? *(04 marks)*
- Q.3 (a) Karim bought a textile mill from Laeeq on his assurance and a certificate from Registrar that the mill and its assets were free from any encumbrance. Later, Karim received a notice for payment of mortgage dues and found that the certificate of Registrar was forged by Laeeq. What rights are available to Karim under the Contract Act, 1872? *(04 marks)*
- (b) Tariq promised to pay Tahir for his services whatever amount Tariq might think reasonable. Tahir is now dissatisfied with the amount paid by Tariq. Explain whether Tahir can sue Tariq. *(04 marks)*
- Q.4 (a) What is implied authority of a partner? What conditions should be met for the act of a partner to become binding on the firm? *(04 marks)*
- (b) Explain the term “**promissory note**” in accordance with Negotiable Instruments Act, 1881. Also state the liabilities of its maker. *(06 marks)*
- Q.5 (a) Cassim intends to deliver an agreed quantity of various computer hardware items to Eveready Company, a carrier, for the purpose of transmission to the buyer. The route to destination includes sea transit.
- List the conditions under the Sale of Goods Act, 1930 which Cassim must comply with, in order to constitute a proper delivery to the buyer. *(03 marks)*
 - In case such conditions are not fulfilled by Cassim, what rights are available to the buyer in the event of goods being damaged in transit? *(02 marks)*
- (b) Ghazal chose her bedroom furniture from Habib Furniture, paid 50% advance and agreed to pay the balance on delivery next week. Habib Furniture separated the chosen furniture and scheduled it for polishing the next day. A fire broke out at night due to short circuit and the entire shop was destroyed. Ghazal claimed her advance. Habib Furniture refused to repay and claimed the balance. In your opinion, who should bear the loss? Justify your answer in the light of the Sale of Goods Act, 1930. *(03 marks)*
- Q.6 (a) Isfandyar Chemicals loaded a cargo of inflammable chemicals in a ship. The nature of cargo was mentioned on the bill of lading. During voyage the carrier destroyed the said cargo. What are the liabilities of the carrier and what rights are available to the shipper under the Carriage of Goods by Sea Act, 1925? *(03 marks)*
- (b) How and for what purpose may a trust be created? *(06 marks)*

Section B

- Q.7 (a) What are the essential requisites of a valid offer of performance? What is the effect of refusal by the promisee to accept tender of goods and money, from the promisor? *(07 marks)*
- (b) Explain the nature of a bailee's particular lien. How does it differ from the general lien of a banker? *(03 marks)*
- Q.8 State the circumstances under which an agent is personally bound by the contract entered into by him on behalf of his principal. *(10 marks)*
- Q.9 Vaqas, Waqar and Yaseen are partners in a registered firm which is not at will. Yaseen wants to retire from the partnership. Advise him about his rights and liabilities in the event of his retirement and restrictions, if any imposed on him under the Partnership Act, 1932. *(10 marks)*
- Q.10 (a) Any material alteration to a negotiable instrument renders the instrument void. What are the exceptions to this rule? *(07 marks)*
- (b) A drew a bill payable by B which is due after three months. It passed through several hands before X became its holder. On presentation by X, B refused to pay the bill. Discuss the rights of X. *(03 marks)*
- Q.11 Explain the term "caveat emptor". What are the exceptions to its application in a contract of sale of goods? *(10 marks)*
- Q.12 Answer the following in the light of Sale of Goods Act, 1930.
- (a) What is the general rule with regard to passing of risk (as opposed to ownership) in a contract of Sale of Goods and what are the exceptions to this rule? *(07 marks)*
- (b) What are the consequences if customs duty, excise duty or sales tax is imposed after a contract of sale has been executed but delivery of goods has not been made? *(03 marks)*

(THE END)