



Business Law

Instructions to examinees:

- (i) Answer all **TEN** questions.
- (ii) Answer in **black** pen only.
- (iii) Multiple Choice Questions must be answered in answer script only.

Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions (MCQs). Each MCQ carries **ONE** mark.

- (i) 'Tort' can be described as:
 - (a) restoration of benefit
 - (b) violation of civil law
 - (c) violation of criminal law
 - (d) judgment of a superior court
- (ii) Jibran is indebted to Kashif but due to financial crisis, he is not able to pay him. At Jibran's request, Kashif agreed to sell further goods to Jibran on very stringent terms. Subsequently, Jibran approaches the Court demanding relief from contractual obligations on grounds of undue influence.
Which of the following statements is true?
 - (a) Kashif will have to prove that he did not exercise any undue influence
 - (b) Jibran will have to prove that the contract was induced by undue influence
 - (c) Both Jibran and Kashif will have to prove the presence or absence of undue influence respectively
 - (d) The contract entered into between Kashif and Jibran is void ab-initio
- (iii) A mistake of law:
 - (a) has same effect as mistake of fact if it relates to mistake of Pakistani law
 - (b) has same effect as mistake of fact if it relates to mistake of foreign law
 - (c) has same effect as mistake of fact whether it relates to mistake of Pakistani law or foreign law
 - (d) is never treated as a mistake of fact
- (iv) On 31 August 2021, Noman as owner of Raven Sugar Mills (RSM) entered into a contract with Zia Bakers to supply 800 kg of sugar on 15 September 2021 at Rs. 90 per kg. On 10 September 2021, Government issued a notification directing sugar mills to sell all their output to the Government at fixed rate of Rs. 95 per kg. On the promised date of delivery, Noman refused to honour the agreement. Can Zia Bakers recover damages from RSM?
 - (a) Yes, because the contract was enforceable since it was made before the date of notification
 - (b) No, because the contract became void on the date of notification
 - (c) Yes, because RSM earned a profit of Rs. 5 per kg at the expense of Zia Bakers
 - (d) No, because the contract became voidable on the date of notification
- (v) Amina requested her cousin Zainab to keep some valuable items in safe custody while she was going on a one-week vacation abroad. This contract between Amina and Zainab is a:
 - (a) social contract
 - (b) contract of pledge
 - (c) contract of bailment
 - (d) quasi contract

- (vi) Kamran, during his employment with Goldfinch Jewellers, stole a diamond set worth Rs. 3,000,000. Saeed, the watchman at the shop, came to know about this fact. However, Saeed agreed not to disclose it to anyone when Kamran offered to pay Rs. 300,000 to him. This agreement is:
- (a) void (b) valid
(c) voidable at the option of Kamran (d) voidable at the option of Saeed
- (vii) On 15 September 2021, Ali entered into a contract with Rashid, representing Rashid Tanners (RT), for the supply of 500 kg of salt for RT's leather tanning operations by 24 September 2021. The contract does not specify the place of delivery. Ali has addresses of RT's head office and all 5 active tanning stations. Ali should:
- (a) deliver 100 kg of salt to each of RT's tanning stations
(b) wait for Rashid to specify the place where he wants delivery
(c) deliver 500 kg of salt to RT's head office
(d) ask Rashid to confirm the place of delivery
- (viii) While having lunch at a restaurant, Adil found some gold coins under his chair which he took into his custody. Latif, the restaurant owner, demanded Adil to hand over the gold coins to him.

Which of the following statements is correct?

- (a) Adil should hand over the gold coins to Latif as he would be regarded as a bailee being the restaurant owner
(b) Adil should not hand over the gold coins to Latif as Adil is the pledgee to the owner of the gold coins
(c) Adil can keep the gold coins as he has become the bailee to the owner of the gold coins
(d) Adil can keep the gold coins as he has become the agent to the owner of the gold coins
- (ix) Peacock Furniture wrote a letter to Sarah Karim stating, "We have received exquisite bedside tables which we will sell to you at a very favourable price."

Which of the following statements with respect to the above is correct?

- (a) The letter is an offer to sell
(b) The letter lacks the essential element of an offer
(c) The letter contains a valid offer which will terminate within a reasonable time
(d) An offer made by a letter must be accepted by a letter
- (x) Farah draws a bill of exchange on Asad which states "*Asad, pay Rs. 100,000 to Sana's successors or order*". The bill of exchange drawn by Farah shall be considered to be:
- (a) invalid because it does not mention the date by which payment must be made
(b) invalid because the parties indicated in the bill of exchange are not certain
(c) valid because it contains an order to pay
(d) valid since all the essential elements of a negotiable instrument are satisfied
- (xi) Zain and Mariam entered into a partnership to run a mobile shop. Zain obtained a loan of Rs. 800,000 in the name of partnership for purchasing 30 mobiles for the shop's inventory. However, he used the loan proceeds to pay for his family's vacation in Dubai. Subsequently, the partnership business went bankrupt. In this scenario:
- (a) Zain is severally liable for repayment of loan
(b) Zain and Mariam are jointly liable for repayment of loan
(c) Zain and Mariam are severally liable for repayment of loan
(d) Zain and Mariam are jointly and severally liable for repayment of loan

- (xii) Promissory note is an instrument in writing containing an unconditional _____, to pay a certain sum of money.
 (a) instruction (b) order (c) undertaking (d) demand
- (xiii) A contract between partners of a firm determining the mutual rights and duties of the partners may be varied by taking consent of:
 (a) all partners of the firm whether express or implied
 (b) all partners of the firm only through express agreement
 (c) majority partners of the firm whether express or implied
 (d) majority partners of the firm only through express agreement
- (xiv) In absence of any contrary intention expressed in an arbitration agreement, the umpire shall have power to:
 (a) administer oath to the parties and witnesses appearing
 (b) correct in an award clerical mistake or error arising from accidental omission
 (c) make the award conditional or in the alternative
 (d) all of the above
- (xv) Which of the following fund transfers shall **NOT** be considered to be an '*Electronic Fund Transfer*'?
 (a) Transfer of funds initiated through stored value card terminal
 (b) Transfer of funds initiated through bank draft
 (c) Transfer of funds initiated through an automated teller machine
 (d) Transfer of funds initiated through debit card

Q.2 List down the main topics/areas covered under the following parts of the Constitution of the Islamic Republic of Pakistan 1973:

- (a) Part III - The Federation of Pakistan (02)
 (b) Part VI - Finance, Property, Contracts and Suits (02)

Q.3 (a) Under the provisions of the Contract Act, 1872 define '*misrepresentation*' and list the circumstances in which a party whose consent was obtained by misrepresentation cannot rescind the contract. (06)

(b) Briefly explain **five** rules regarding performance of reciprocal promises under the provisions of the Contract Act, 1872. (05)

(c) In July 2021, Pelican Publishers (PP) entered into a contract with Farhan, an upcoming and promising author, to publish his first novel. An advance of Rs. 50,000 was paid to Farhan who agreed to share the manuscript by October 2021. PP promised to incur promotional expenses of Rs. 500,000 in respect of the novel.

In August 2021, Farhan suddenly gained popularity as his social media publications went viral. Seeing an opportunity, PP immediately launched the advertising campaign for the promotion of Farhan's upcoming novel and secured pre-orders of 50,000 copies of the novel. PP has estimated to earn profit of Rs. 5 million from the orders.

In September 2021, Farhan contacted PP regretting that he will not be able to send the manuscript and sent back the cheque of Rs. 50,000 received in advance.

Under the Contract Act, 1872 discuss the status of the contract and any possible remedies available to PP. (05)

- Q.4 (a) On 20 September 2021, Nadia agreed to sell her ancestral jewels to Saima at a discounted price. However, on the next day when Saima came to take the delivery, Nadia's brother being custodian of the jewels refused to honour the delivery on the premise that Nadia was admitted to the mental hospital and, therefore, her earlier agreement to sell the jewels was not valid.

Under the provisions of the Contract Act, 1872 discuss whether Nadia's brother is justified in refusing to deliver the jewels to Saima.

(03)

- (b) On 15 September 2021, Taha entered into a contract to sell 90 tons of rice to Hamid. Taha had some private information regarding change in prices which would have affected Hamid's willingness to enter into the contract. When Hamid, through his own resources, came to know about the prices, he accused Taha of fraud and repudiated the contract.

Under the provisions of the Contract Act, 1872 explain whether Taha is justified in repudiating the contract.

(04)

- (c) Fahad agreed to supply cotton yarn to Babar for the entire year, whenever requisitioned, at prevailing wholesale prices. The contract also stipulated that in case of dispute, Fahad and Babar would not seek settlement through the Court.

Under the provisions of the Contract Act, 1872 discuss the validity of the contract and determine any remedy available to Babar, in case of dispute with Fahad.

(03)

- Q.5 (a) Effective 1 July 2019, Flamingo Power Limited (FPL) started purchasing fuel from Crane Limited (CL). Up to 31 May 2021, FPL did not make any payment to CL due to which late payment surcharge was invoiced to FPL. FPL refused to acknowledge the surcharge and asked for its cancellation but CL never responded. FPL stopped purchasing fuel from CL with effect from 15 June 2021.

In July 2021, FPL made two bulk payments equivalent to the cost of fuel purchased from 1 July 2019 to 15 June 2021 but did not mention the invoices against which the payments were to be adjusted.

In September 2021, FPL came to know that CL had first adjusted the late payment surcharge and balance amount had been adjusted against cost of fuel. FPL demands that CL should adjust the payments against cost of fuel only and not against the surcharge.

Under the provisions of the Contract Act, 1872 discuss the validity of FPL's demand and adjustment made by CL.

(04)

- (b) Rizwan and Tahira jointly borrowed a sum of Rs. 950,000 from Sajid and Mubin jointly. On due date, Rizwan and Tahira defaulted in making the payment. Sajid, without Mubin's knowledge, filed a suit against Rizwan and Tahira for the recovery of the amount due.

Under the provisions of the Contract Act, 1872 briefly describe whether Sajid would succeed in his case.

(02)

- (c) Amir agrees to construct a bungalow for Zohaib for Rs. 50 million on the condition that payment will only be made after Maria, an architect, certifies that the bungalow has been constructed in accordance with the layout plan.

Under the provisions of the Contract Act, 1872 describe the nature and validity of the above contract.

(02)

- Q.6 (a) Magpie Traders (MT) agreed to supply building materials to Eagle Contractors (EC) on 15 September 2021 for the construction of a charitable hospital in Multan. However, on due date, MT failed to fulfil their obligation.

Under the provisions of the Contract Act, 1872 explain the rights available to EC under the above situation. Assume time was the essence of the contract.

(03)

- (b) What would be your answer in (a) above if EC had to procure building material from another supplier at a price higher than the price agreed with MT and also had to pay a penalty of Rs. 200,000 to the owner of the hospital for construction delay?

(03)

- Q.7 (a) Saqib, Zeeshan and Noman are partners in a firm carrying on dairy business and sharing the profit or loss equally. Noman has recently started a poultry business in the same vicinity for which he has applied for a loan from a bank. As a security of the loan, he offered the bank to create charge over the book debts of the poultry business together with his interest in the dairy business.

Under the provisions of the Partnership Act, 1932 describe the bank's rights and limitations in the dairy business.

(04)

- (b) Under the provisions of the Partnership Act, 1932 list the circumstances in which sharing of profits of a partnership business does not make a person partner in the firm.

(04)

- Q.8 (a) Rafi, Aiza and Bilal are engaged in a partnership business. On 26 June 2020, they admitted Mehreen, on her seventeenth birthday, to the benefits of partnership. Mehreen is Aiza's niece. On 20 July 2021, Mehreen became aware of her admittance to the benefits of partnership. On acquiring the knowledge, she immediately gave notice to Rafi, Aiza and Bilal that she intends to be their partner.

Under the provisions of the Partnership Act, 1932 discuss whether Mehreen would be regarded as a partner in the firm with effect from the date of her notice i.e. 20 July 2021. Also describe Mehreen's liability with regard to firm's debts once she becomes a partner.

(04)

- (b) Afshan, Kaukab and Bushra are partners in a bridal boutique situated in the local market. Afshan also owns a jewellery shop in the same market. The shop is managed by her brother, Adnan. Kaukab and Bushra were not aware of Afshan's interest in the jewellery shop. Most of the clients from the bridal boutique buy jewellery sets from Afshan's shop. During the year, Afshan earned a hefty profit of Rs. 70 million from the jewellery business.

Upon knowing the fact of Afshan's interest in the jewellery shop, both Kaukab and Bushra demanded Afshan to share her profits equally with them.

Under the provisions of the Partnership Act, 1932 explain whether Kaukab and Bushra are justified in their demand.

(04)

- Q.9 (a) Under the Payment Systems and Electronic Fund Transfers Act, 2007 state the circumstances under which the State Bank of Pakistan may revoke the designation of a payment system as designated payment system.

(06)

- (b) Oreole Limited (OL) entered into a contract with Robin Limited (RL) and agreed that in case of any dispute, both parties to the contract will resolve the matter through arbitration.

In the light of Arbitration Act, 1940 advise OL and RL regarding the provisions which are deemed to be included in an arbitration agreement, in absence of any contrary intention expressly provided in the arbitration agreement itself.

(08)

Q.10 (a) Under the provisions of the Negotiable Instruments Act, 1881 explain different types of crossing of cheque along with their respective effects. (04)

(b) Adnan owes Rs. 250,000 towards Rehmat and undertakes to endorse a bill of exchange in his favour in order to settle the debt.

Under the provisions of the Negotiable Instruments Act, 1881 explain to Rehmat the essentials of a valid endorsement as he wants to ensure that the bill of exchange is properly endorsed. (04)

(c) Shahzad bought merchandise worth Rs. 450,000 from Rafay on credit. The amount is payable on 30 October 2021. Shahzad wants to issue a negotiable instrument in satisfaction of his debt to Rafay without involving a third party for the payment.

Under the provisions of the Negotiable Instruments Act, 1881 prepare draft of a promissory note which Shahzad may issue to Rafay in satisfaction of his debt. (03)
(You may assume necessary details for the preparation of the negotiable instrument)

(THE END)