



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.
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Q.1 Select the most appropriate answer from the options available for each of the following Multiple Choice Questions.

- (i) Which part of the Constitution of the Islamic Republic of Pakistan 1973 contains special provisions relating to the National Economic Council?
 - (a) Part II - Fundamental Rights and Principles of Policy
 - (b) Part III - The Federation of Pakistan
 - (c) Part V - Relations between Federation and Provinces
 - (d) Part VII - The Judicature

(01)

- (ii) Which of the following statements is correct in relation to the objective of the Competition Act, 2010?
 - (a) To provide for the establishment of the Competition Commission of Pakistan to reduce competition
 - (b) To protect the consumers from anti-competitive behaviour
 - (c) To suggest practices which enhance competition in the relevant market
 - (d) To ensure free competition in all spheres of commercial activities only

(01)

- (iii) On 1 September 2022, Organza Florists (OF) agreed to deliver 100 kg of freshly picked red roses to Blaize Banquet (BB) on 4 September 2022 at Rs. 250 per kg for a wedding ceremony. As the roses were to be picked in the morning of the event day, OF planned to procure the roses from Taffeta Gardens (TG) at an agreed rate of Rs. 100 per kg.

However, on 3 September 2022, before OF could place the order with TG, BB contacted OF and asked for the delivery to be made on 7 September 2022 as the ceremony was re-scheduled. OF refused to change the delivery date and rescinded the contract.

Can OF claim damages from BB in respect of the contract?

- (a) Yes, OF can claim Rs. 10,000 as damages
 - (b) Yes, OF can claim Rs. 25,000 as damages
 - (c) No, because OF has not suffered any damages
 - (d) No, because there was no penalty clause agreed between OF and BB
- (1.5)**
- (iv) Mona promised to sell her wedding dress to Sadaf for Rs. 80,000 if she would pay Rs. 30,000 in advance and the balance on the delivery date which was a month before Sadaf's wedding. Mona knew that rain soaked her wedding dress and destroyed it completely, however, she needed Rs. 30,000 urgently. Sadaf agreed to the payment terms and paid the advance of Rs. 30,000 to Mona.

Subsequently, when Mona failed to honour delivery of the wedding dress, Sadaf had to purchase another dress worth Rs. 100,000 for her wedding. Identify the amount which Mona is liable to pay to Sadaf.

- (a) Rs. 20,000
 - (b) Rs. 30,000
 - (c) Rs. 50,000
 - (d) Rs. 80,000
- (1.5)**

- (v) Aziza is a home-based baker famous for making themed cakes for special occasions. On 5 September 2022, a discount offer was made on Aziza's social media account with the caption '*Order today to avail special price of Rs. 2,000 per pound for our special chocolate fudge cake. Delivery within 24 hours*'. Sadia messaged Aziza on the same day for placing an order for a 2.5 pound cake. Aziza replied that she will charge Rs. 3,000 per pound for the cake as she has received many orders and will now charge premium price.

Can Sadia compel Aziza to sell the cake at Rs. 2,000 per pound?

- (a) No, because Aziza's offer was not specifically given to Sadia
- (b) No, because Sadia's offer has not been accepted by Aziza
- (c) Yes, because Aziza's discount offer regarding sale of cake is still valid
- (d) Yes, because change in price was communicated after receiving of Sadia's message

(1.5)

- (vi) Salman and Farhan purchased two local coffee shops and renovated them to reflect the modern café style under the name "Coffee Holics". The interior designing of both the shops was done by Salman whereas the renovation expenses were paid by Farhan. The operational rights of both the shops were given to Zakir on the terms that Zakir shall only pay a fixed amount of Rs. 25 on each coffee cup sold. Salman and Farhan agreed to equally divide the amount paid by Zakir amongst themselves.

In the above scenario, Salman and Farhan are:

- (a) partners because they share the profit in equal proportion
- (b) partners because they jointly own the coffee shops
- (c) not partners because the renovation expenses were not paid by both of them
- (d) not partners because the arrangement does not constitute a partnership

(01)

- (vii) Furqan gifted a property to his spouse Nadira on completion of her post-graduation. Subsequently, on Furqan's request, Nadira agreed to transfer the property in Furqan's name if, at any time in future, he incurs heavy loss in business due to any reason. After five years, Furqan incurred heavy loss in business due to COVID-19 pandemic and asked Nadira to transfer the property in his name which she refused.

Can Furqan hold Nadira responsible for the breach of contract?

- (a) Yes, because the agreement was contingent on incurring of heavy loss in business
- (b) Yes, because all agreements made verbally are enforceable by law
- (c) No, because the agreement is void due to lack of consideration
- (d) No, because the agreement was made by Nadira under undue influence

(1.5)

- (viii) Faiq agreed to sell two snow leopard cubs to Wajeeha for Rs. 500,000. He also promised to deliver an imported Persian cat worth Rs. 80,000 along with the cubs as complimentary. On the delivery date, Wajeeha refused to take delivery of the cubs on the premise that snow leopards were endangered species and capturing them was prohibited under local laws. However, she demanded that Faiq must deliver the cat as promised and said that she is willing to pay the market price for the cat.

Is Faiq compelled to deliver the cat?

- (a) Yes, because the contract is voidable at Wajeeha's option due to unilateral mistake of law
- (b) Yes, because the legal set of reciprocal promises should be executed by Faiq
- (c) No, because the promise to deliver the cat was dependent on the delivery of snow leopard cubs
- (d) No, because the agreement is void due to illegal consideration

(1.5)

- (ix) On 1 September 2022, Zahid wrote a promissory note undertaking to pay Rs. 300,000 in three equal monthly installments to the Chairman of Flannel Traders & Co. or order. In the aforesaid promissory note:
- (a) amount of money to be paid and payee both are certain
 - (b) amount of money to be paid is certain but payee is not certain
 - (c) amount of money to be paid is not certain but payee is certain
 - (d) amount of money to be paid and payee both are not certain
- (01)**

- (x) On 1 June 2022, Ali made an announcement promising to pay a reward of Rs. 90,000 to any person who would find his lost dog. Sarim came to know about the announcement on 15 June 2022 and decided to find the dog. On 30 June 2022, Sarim found the dog and handed it over to Ali on the same day. Ali paid the reward of Rs. 90,000 to Sarim on 10 July 2022.

In the above scenario, the contract between Ali and Sarim was formed on:

- (a) 1 June 2022
 - (b) 15 June 2022
 - (c) 30 June 2022
 - (d) 10 July 2022
- (01)**

- (xi) Pervez had a guest house in Abbottabad which he rented to his business partner Karim at a regular price for two days. On the day of leaving Abbottabad, Karim noticed overdues of last month appearing in the electricity bill of the guest house. He paid the bill to appease Pervez. When Pervez came to know about Karim's act, he thanked Karim and verbally promised to pay back the bill amount of Rs. 55,000.

Can Pervez be held liable if he subsequently refuses to pay Rs. 55,000 to Karim?

- (a) No, because Pervez did not make the agreement in writing
 - (b) No, because Karim was not legally bound to pay the dues
 - (c) Yes, because Pervez promised to pay Karim for his voluntary act
 - (d) Yes, because Karim was legally bound to pay the dues
- (1.5)**

- (xii) Precedents are defined as:

- (a) interpretation of law by the Supreme Court of Pakistan
 - (b) interpretation of law by any high court which are binding on other high courts
 - (c) decisions of superior courts which are not an intrinsic part of the legal system
 - (d) judgements of a superior court which are binding on subordinate courts
- (01)**

- Q.2 Briefly discuss delegated legislation and state any **two** advantages and **two** disadvantages of delegated legislation. Also describe how control is exercised over delegated legislation. **(05)**

- Q.3 On 5 September 2022, Aftab bought goods from Kamran for Rs. 950,000 on credit of two months and immediately sold them to Abdullah for Rs. 960,000. Aftab received Rs. 10,000 in cash from Abdullah and the remaining amount was agreed to be received after two months. Aftab intends to settle both the transactions through a negotiable instrument.

Under the provisions of the Negotiable Instruments Act, 1881 prepare a draft of the negotiable instrument that Aftab may issue in settlement of both the transactions. (*Assume necessary details for the preparation of the negotiable instrument*) **(05)**

- Q.4 Under the provisions of the Contract Act, 1872:

- (a) identify any **five** differences between coercion and undue influence. **(05)**
- (b) identify any **two** differences between fraud and misrepresentation. **(03)**

- Q.5 Rahim Khan is a software engineer who runs his own IT firm. He engages many free lancers as and when required to work on different projects. He also works part-time in a computer training institute where he teaches various computer courses.

Consider the following matters under the Contract Act, 1872:

- (a) While teaching at the institute, Rahim met a course participant Usama with specialized graphic designing skills. He collaborated with Usama and submitted a website designing proposal to a prospective client, Farah. She liked the proposal and offered Rahim and Usama to design her boutique's website for Rs. 500,000 to which they both agreed.

Rahim and Usama lied to Farah that Usama is eighteen years old even though his eighteenth birthday was still few months away.

Discuss whether Farah can enforce performance against Rahim and Usama. **(04)**

- (b) On 10 September 2022, a virtual gaming tournament has been scheduled in which a gaming expert team will participate from Pakistan. Rahim provided training to Pakistani team. Considering the team's skills, he proudly claimed to his friend Nadir that his team will win the tournament.

Nadir offered that if Rahim submits Rs. 100,000 to him as a security and his team wins the tournament then Nadir will pay Rs. 200,000 to Rahim. Rahim agreed and paid Rs. 100,000 to Nadir.

Discuss whether Rahim can sue Nadir if the team wins the tournament but Nadir refuses to pay. **(03)**

- (c) Organdy Limited (OL) signed a contract with Rahim's IT firm to manage OL's social media accounts for one year effective 1 July 2022 at Rs. 1,500,000 per quarter payable in arrears. Rahim hired Zia to perform the task at a salary of Rs. 200,000 per month for the contract term. Rahim sent several reminders for the passwords of OL's social media accounts but did not receive the passwords from OL.

Discuss the validity of the contract between OL and Rahim. Also identify the remedies available to Rahim, if any. **(03)**

- (d) Assume that in (c) above, Rahim was offered a similar project by Muslin Limited. On 31 August 2022, Rahim accepted the offer and assigned the project to Zia. On the same date, Rahim sent an e-mail to OL regretting that performance is impossible mainly due to non-availability of resources.

Discuss the validity of Rahim's correspondence. Also discuss OL's position in this situation. **(04)**

- Q.6 (a) Under the Payment Systems and Electronic Fund Transfers Act, 2007 identify the operational arrangements required to be established by the operators of a designated payment system. **(04)**
- (b) Briefly explain when a person may be considered as an offender by virtue of which such person may be punished under the provisions of the Prevention of Electronic Crimes Act, 2016. **(05)**
- (c) Under the provisions of the Arbitration Act, 1940 state any **four** powers of arbitrator. **(04)**

- Q.7 On 30 June 2021, Noman, Salim, Ahmed and Sana entered into a partnership for carrying on business of manufacturing and export of denim fabrics under the name and style 'Damask Traders' (DT).

At the time of commencement of partnership, Noman disclosed to other partners his interest in family business of export of velvet fabrics. Due to his connections with foreign buyers, Noman brought in many export orders for DT. Salim handled operations and ensured timely delivery of orders to customers.

Being the consultant of DT, consider the following matters under the Partnership Act, 1932:

- (a) On 5 September 2022, a meeting was held to discuss the financial performance of DT for the year ended 30 June 2022. Following matters were discussed in the meeting:
- (i) Profit for the year was determined after accruing Salim's salary of Rs. 100,000 per month for running DT's operations. Noman found this unjustified and demanded an equivalent salary for his efforts to establish DT's business. *Discuss the validity of Noman's viewpoint.* (03)
 - (ii) 20% of the export orders were combined orders for denim and velvet fabrics which were jointly fulfilled by DT and Noman's family business. Salim argued that 50% of the velvet business's profits should be paid to DT. *Comment on the validity of Salim's argument.* (03)
 - (iii) Ahmed informed that he had paid Rs. 900,000 from his personal bank account to a supplier on 31 January 2022 due to non-availability of cash in DT's bank account. On 31 May 2022, the amount was paid back to Ahmed. He demanded Rs. 27,000 as profit which he would have earned if the funds were maintained in his bank account. *Evaluate the validity of Ahmed's demand.* (03)
 - (iv) During the meeting, Noman stated that since he had brought most of the orders for DT, remaining partners cannot use the brand 'Damask Traders', if he decides to leave the partnership. *Discuss the validity of Noman's statement.* (03)
- (b) On 15 August 2021, Sana died in a car accident and her seventeen-year old daughter Sarah was admitted to the benefits of DT. On 8 September 2022, Sarah is to celebrate her eighteenth birthday. *Advise Sarah regarding her rights and liabilities in respect of DT on attaining the age of majority.* (05)

- Q.8 Sultan imports mulberry silk and receives repetitive orders from regular customers. The invoices are generated on the dispatch date and payment becomes due on the last date of the subsequent month.

Wajahat is a regular customer of Sultan. Following are the extracts from Wajahat's statement of receivables as on 30 June 2022:

Date of invoice	Amount (Rs.)	Due date	Comments noted by Sultan
31 January 2017	60,000	28 February 2017	Time barred under local law
10 May 2021	100,000	30 June 2021	Overdue for one year
10 March 2022	90,000	30 April 2022	Overdue for two months
31 March 2022	200,000	30 April 2022	Overdue for two months
30 June 2022	50,000	31 July 2022	Not yet due
Total	500,000		

Wajahat sent a cheque of Rs. 220,000 on 31 July 2022 but did not mention the invoices against which the payment was to be adjusted. Sultan sent several reminders to Wajahat in this regard but did not receive a response.

Under the provisions of the Contract Act, 1872 discuss how the proceeds of the cheque can now be adjusted against Wajahat's statement of receivables. (05)

- Q.9 (a) Kazim agreed to supply 500,000 cotton fabric rolls of a specific design to Zainab's workshop on 4 September 2022 between 10 am to 9 pm. Zainab informed Kazim that she requires the rolls urgently as she has to cater her orders.

On 4 September 2022, Kazim brought the rolls to Zainab's workshop at 8:30 pm and asked her to take delivery quickly as he was in a rush to make another delivery before 9 pm in nearby locality. Zainab wanted to check one roll from each of the 1,000 boxes to ensure that they are of the same design which she had ordered. Kazim threatened Zainab that if she does not sign the goods receiving note within next 10 minutes, he will not deliver the rolls to her and will take the delivery truck away to unload next order.

Under the provisions of the Contract Act, 1872 discuss whether Kazim is justified in his contention. Also discuss Zainab's position if Kazim does not deliver the rolls to her. **(04)**

- (b) Assume that in (a) above, Kazim brought the cotton fabric rolls for delivery to Zainab's workshop on 5 September 2022 at 10:30 am but Zainab refused to take the delivery. However, Zainab offered to take the delivery if she is given a special discount of 20% on the invoice amount.

Under the provisions of the Contract Act, 1872 discuss Kazim's position if he:

- (i) refuses to give the discount and sues Zainab for breach of the contract. **(03)**
 (ii) agrees to give the discount and makes the delivery but later sues Zainab to pay the full amount. **(02)**

- Q.10 Under the provisions of the Contract Act, 1872:

- (a) identify how and on what grounds a proposal stands revoked. Also describe the time frame after which a proposal cannot be revoked. **(05)**
 (b) briefly describe the rules in respect of time and place for the performance of a promise where both of them have not been specified in the contract. **(04)**

(THE END)