



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) Asbestos Aerospace (AA) plans to introduce a new spaceship model. AA engaged Usama, a renowned aeronautical engineer, to design the structure of the new model. On 10 March 2023, Usama promised to deliver the design by 21 August 2023. AA informed Usama that a delay cost of Rs. 80,000 would be imposed if the design was not received by the agreed-upon date.

Tragically, on 10 August 2023, Usama suffered a severe accident resulting in the loss of his children and significant personal injuries. Due to the trauma and its impact on his mental health, Usama was unable to fulfil his commitment. Consequently, AA incurred a delay cost of Rs. 250,000.

Under the Contract Act, 1872, can AA claim damages of Rs. 250,000 from Usama?

- (a) Yes, because AA had informed Usama of the damages on 10 March 2023
 - (b) Yes, because Usama was competent to enter the contract on 10 March 2023
 - (c) No, because Rs. 250,000 cannot be considered as reasonable damages when compared to the initially agreed upon Rs. 80,000
 - (d) No, because the contract subsequently became void due to unforeseen circumstances (1.5)
- (ii) Under the Prevention of Electronic Crimes Act, 2016, which of the following could be a reason for designating private or government infrastructure as critical infrastructure?
- (a) Meeting national security objectives
 - (b) Enhancing personal data protection
 - (c) Potential economic growth
 - (d) Contributing to social welfare (01)
- (iii) Glass Sea (GS), the operator of multiple aquariums, entered into a contract with Timber Fishes (TF) on 5 August 2023 and made a payment of USD 5 million. TF agreed to supply either 8 dolphins locally sourced from Indus River or 5 dolphins imported from Japan. The contract stipulated a delivery date of 30 September 2023.

However, on 5 September 2023, TF communicated to GS that the contract cannot be performed due to a government-imposed ban on capturing dolphins from Indus River, which became effective on 10 August 2023.

Under the Contract Act, 1872, can GS hold TF liable for non-performance of the contract?

- (a) No, because part of the contract's object is unlawful
- (b) No, because the contract cannot be enforced in light of government directives
- (c) Yes, because the legal branch of the alternative promise is enforceable
- (d) Yes, because it is a valid contingent contract (1.5)

- (iv) Which of the following statements is true regarding a bill in respect of any matter, other than money bill?
- (a) The bill must be originated in the National Assembly
 - (b) The bill must be originated in the Senate
 - (c) The bill must be originated simultaneously in both the National Assembly and the Senate
 - (d) The bill may originate in either the National Assembly or the Senate **(01)**
- (v) In the context of the Arbitration Act, 1940, which of the following is considered as a 'legal representative'?
- (a) A lawyer appointed to represent a deceased's family disputes
 - (b) A person who has no relation to the deceased but handles their financial affairs
 - (c) A person who intermeddles with the estate of the deceased
 - (d) A person who briefly assists in managing the estate of a deceased **(01)**

- (vi) Sadia sold leather garments worth Rs. 500,000 to Concrete Textiles (CT) with an agreed payment date of 1 August 2023. However, CT missed the payment, causing Sadia to be unable to settle her own Rs. 500,000 debt to Ash Leathers (AL), which was due on 15 August 2023. As a result, AL sent a notice to Sadia demanding payment of Rs. 500,000 along with an additional Rs. 25,000 for damages and Rs. 2,000 as miscellaneous charges.

On 5 September 2023, when Sadia finally received payment of Rs. 500,000 from CT, she demanded that CT should also pay compensation to her.

Under the Contract Act, 1872, which of the following amounts is Sadia entitled to claim from CT?

- (a) Interest accrued on Rs. 500,000 from 1 August 2023 till 4 September 2023
 - (b) Interest accrued on Rs. 500,000 from 15 August 2023 till 4 September 2023
 - (c) Rs. 25,000 on account of damages payable to AL by Sadia
 - (d) Rs. 27,000 on account of damages and miscellaneous charges payable to AL by Sadia **(1.5)**
- (vii) Under the Competition Act, 2010, which of the following practices can **NOT** be deemed as a deceptive marketing practice?
- (a) Packaging a new product exactly the same as a competitor's renowned product
 - (b) Comparing different brands based on the nutritional value of ingredients
 - (c) Spreading false information to harm business interests of another undertaking
 - (d) Unauthorised use of competitor's trademark for promotional purposes **(01)**
- (viii) Fahad emailed Alia an offer to sell his brick factory for Rs. 1,500,000. He requested a signed letter of acceptance to be sent to him through post by 5 July 2023.

On 4 July 2023, Alia emailed Fahad, in which she communicated her acceptance to purchase the factory and mentioned that she cannot send a signed letter as she is travelling to a remote area in South Africa for a month. Fahad read Alia's email on the same day but did not reply. On 4 August 2023, Fahad received the signed letter through post.

Under the Contract Act, 1872, can Fahad refuse to sell his factory to Alia?

- (a) Yes, because Alia sent a counter offer on 4 July 2023
- (b) Yes, because Alia sent the signed letter of acceptance after 5 July 2023
- (c) No, because Alia sent the signed letter of acceptance within reasonable time
- (d) No, because Fahad did not insist for acceptance through letter after he received Alia's email on 4 July 2023 **(1.5)**

- (ix) Under the Partnership Act, 1932, which of the following actions falls within the implied authority of a partner?
- (a) Transferring immovable property of the partnership firm
 - (b) Borrowing money on behalf of the partnership firm
 - (c) Entering into a new partnership on behalf of the partnership firm
 - (d) Purchasing immovable property on behalf of the partnership firm
- (01)**

- (x) In the partnership firm, Marble Resorts (MR), with Salman and Yasir as partners, an incident occurred during a corporate event on 1 August 2023. The cinematic projector for displaying documentaries developed a fault. Salman promptly purchased a replacement projector worth Rs. 500,000 using his personal credit card. His action successfully resolved the emergency, resulting in MR earning a profit of Rs. 150,000 from the event. Additionally, a five-year contract was secured with the client for hosting future corporate events.

On 1 September 2023, Yasir attempted to reimburse Salman from MR's bank account. However, Salman not only sought reimbursement for the projector's cost but also for the credit card charges of Rs. 12,500. Further, he demanded compensation for his extraordinary efforts.

Under the Partnership Act, 1932, determine the maximum amount that Salman can claim from MR.

- (a) Rs. 500,000 (b) Rs. 502,500 (c) Rs. 512,500 (d) Rs. 515,000
- (02)**
- (xi) With reference to 'coercion', as explained in the Contract Act, 1872, which of the following statements is **NOT** true?
- (a) It must be applied in a place where the Pakistan Penal Code is enforced
 - (b) It includes threatening to commit an act forbidden by the Pakistan Penal Code
 - (c) It must be applied with the intention of causing a person to enter into an agreement
 - (d) It includes unlawfully detaining any property to the prejudice of a person
- (01)**
- (xii) Under the Contract Act, 1872, which of the following is a void agreement?
- (a) Farah verbally agrees to compensate her brother Shahid for her hospitalization expenses paid voluntarily by Shahid on her behalf
 - (b) Kashif appoints a minor, Mona, as his agent for his garment business
 - (c) After death of Fatima's parents, her guardian signed an agreement for good consideration, under which Fatima cannot be married till she is a minor
 - (d) Zain promised that he would not open his fast food outlet in Gulberg in exchange of Rs. 200,000 paid to him by Primer Foods
- (01)**

Q.2 Identify the basis of legal system and explain the main sources of law in Pakistan. **(05)**

- Q.3 (a) Granite Tiles (GT) is engaged in the business of designing and manufacturing tiles. Hakim was a partner at GT, and when he passed away in December 2022, his minor son Wasim was admitted to the benefits of GT.

Under the Partnership Act, 1932, provide guidance to Wasim concerning his rights and limitations pertaining to GT. **(03)**

- (b) On 1 November 2023, Wasim will attain the age of majority, and he intends to become GT's partner.

Under the Partnership Act, 1932, state the course of action that Wasim should take to become GT's partner. Also, advise Wasim about his duties, mutual rights and liabilities, concerning GT after becoming a partner. **(08)**

Q.4 (a) Consider the following independent situations:

- (i) In a contract, a specific provision dictates that in the event of a default, Rs. 10 million shall be payable to the aggrieved party by the defaulting party.
- (ii) A constructive contract lacks a pre-established determination of the damages to be paid in the event of a default.

Under the Contract Act, 1872, advise how the compensation payable would be determined in each of the above situations after a default is committed. (03)

- (b) Fatima, a doctor by profession, purchased a five-storey building for Rs. 50 million, owned and constructed by Hammad. At the time of purchase, Fatima asked Hammad to inform her of any structural issues with the building that might require repair. Hammad did not respond to the question, allowing Fatima to believe that the building is in good condition.

Fatima opened her hospital in the building. Shortly thereafter, she came to know about numerous structural issues in the building. An independent contractor has provided an estimate of Rs. 5 million to fix these issues.

Under the Contract Act, 1872, discuss the remedies available to Fatima. (04)

Q.5 Lime Cement (LC) operates as a medium-scale cement manufacturer and distributor. The following pertains to LC's operations:

- (a) Daniyal, recently appointed as a delivery supervisor at LC, has been tasked with overseeing the following orders:

(I) An order from Rubber Paints (RP) for 50 bags of cement, scheduled for delivery on 30 September 2023. Upon reviewing the order details, he noted the absence of specific information regarding the time and place of delivery. ***Under the Contract Act, 1872, advise Daniyal about time and place of delivery for RP's order.*** (03)

(II) An order jointly placed by Fahim Hussain and Karim Hussain for 60 bags of cement, for building a farm house in Faisalabad. ***Under the Contract Act, 1872, identify the conditions that Daniyal must fulfil to make a valid delivery offer.*** (04)

- (b) LC received an offer to export 50,000 bags of cement to Europe. According to the offer document, LC is required to send two sample cement bags to the customer.

LC's production team is carrying out a detailed feasibility check while its head of sales is aggressively pushing for the offer acceptance to be sent immediately.

Under the Contract Act, 1872, identify the possible situations in which the offer would be revoked. (04)

Q.6 (a) Saad and Abid are close friends and avid cricket enthusiasts. Saad opened a sports equipment store in Karachi, and Abid extended his support in setting up the business, by introducing him to Malik, a major supplier of cricket gear.

Subsequently, Saad, representing Abid as his partner, purchased cricket gear from Malik, promising to pay on 31 August 2023. However, he failed to pay the amount on time.

Under the Partnership Act, 1932, discuss whether Malik can recover his dues from Abid. (04)

- (b) Under the Partnership Act, 1932, explain the circumstances under which an individual, entitled to a share of up to 50% of the annual profits of a partnership firm, would still not be recognized as a partner within that firm. (03)

Q.7 (a) Straw Farms (SF) is famous for its organically grown peaches. In July 2022, SF decided to build a processing facility for freezing peaches. In August 2022, SF awarded two separate contracts to Gypsum Builders (GB) as follows:

- (I) Construction of a factory building by August 2023 for processing the peaches to be harvested in September 2023. SF informed GB that when the building is ready, a processing plant will be installed for freezing peaches to be exported to Europe, from which SF expects to earn a profit of Rs. 10 million.
- (II) Construction of a head office building by August 2023 for administrative work. SF informed GB that the staff will be shifted to this building in December 2023.

GB initially planned to construct both buildings by July 2023; however, due to labour issues, construction could not be completed on either site till date. GB needs a further 30 days to finish the remaining work.

Under the Contract Act, 1872, evaluate SF's position, and discuss the remedies available to SF. (07)

(b) Rizwan engaged Bamboo Designers (BD) to completely renovate his bungalow by 31 August 2023 for Rs. 5 million. The renovation work included civil works, painting, plumbing and tiling. Rizwan informed BD that he would arrange imported marble tiles to be fixed in the bungalow.

BD completed the renovation work on 31 August 2023 except for fixing of the tiles. Due to transit issues, the cargo of tiles ordered by Rizwan reached Pakistan on 5 September 2023. Upon receiving the tiles, Rizwan asked BD to proceed with the completion of the renovation work.

However, BD refused to deploy labour until the contract price to the extent of work completed is paid, and Rizwan declined to make the payment as the bungalow was not ready as per agreed specifications.

Under the Contract Act, 1872, evaluate BD's position, and discuss the remedies available to BD. (04)

Q.8 (a) Define the term 'financial institution' under the Anti-Money Laundering Act, 2010. (06)

(b) Under the Arbitration Act, 1940, state any **four** powers of arbitrator. (04)

Q.9 (a) Babar owns Steel Electronics (SE), a retail store of electronic equipment. He typically buys the equipment from wholesale suppliers on credit and pays invoices by cheque within 60 days, always attaching a letter specifying which invoice(s) the cheque covers.

When Babar fell ill, his son, Junaid, managed SE. Upon returning, Babar learned that Junaid had sent several cheques to Farrukh, a major supplier, without specifying the relevant invoices.

Under the Contract Act, 1872, advise Babar how the cheques sent by Junaid should be applied to Farrukh's outstanding invoices. (04)

(b) Under the Contract Act, 1872, identify the following:

(i) Any **four** differences between 'contingent contract' and 'wagering agreement'. (04)

(ii) Circumstances in which an agreement without consideration is considered to be a valid contract. (05)

Q.10 (a) Zareen has signed the following instruments:

- (i) I promise to pay Rs. 5 million to Maria and further undertake to deliver her my car with registration number FNT-23 on 30 September 2023, for value received.
- (ii) Zainab, pay Rs. 20 million to Saeed as early as possible.
- (iii) I acknowledge that I am indebted to Mehreen for USD 200,000 to be paid on demand, for value received.

Under the Negotiable Instruments Act, 1881, comment on the type and validity of each of the above instruments. **(03)**

- (b) Rustom issued a cheque payable to 'Laiba or order'. Rizwan, by falsifying Laiba's endorsement on the cheque, managed to receive payment from the bank.

Under the Negotiable Instruments Act, 1881, discuss whether the bank would be liable towards Rustom for making the payment to Rizwan. **(03)**

- (c) Under the Negotiable Instruments Act, 1881, identify **four** differences between promissory note and bill of exchange. **(04)**

(THE END)