



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) Sialkot Footballs (SF) made an offer to Football Academy (FA) to sell 1,000 footballs at Rs. 600 each. Zain, FA's manager and owner of a separate private sports academy, sent an acceptance letter from his private sports academy, enclosing a cheque drawn by him in favour of SF.

Under the Contract Act, 1872, which of the following statements is correct?

- (a) A counter offer has been made to SF as the acceptance was not given by FA
- (b) FA has given conditional acceptance to SF's offer as the cheque was sent by Zain
- (c) A contract has been formed between SF and FA as the offer was given to FA
- (d) The acceptance letter is not effective as the offer was given by SF to FA

(01)

- (ii) On 1 August 2024, Jahangir Sports (JS) offered to sell a vintage rubber raft to Nadim for Rs. 250,000. Subsequently, on 5 August 2024, Wasim, upon learning about the raft, expressed interest in purchasing it. JS then offered to sell the raft to Wasim for Rs. 275,000, provided that the sale to Nadim does not occur by 20 August 2024. Wasim accepted this offer.

However, on 20 August 2024, JS sold the raft to an expedition team for Rs. 400,000. On the same day, JS sent a revocation letter to Nadim and also informed Wasim about the sale to the expedition team.

Under the Contract Act, 1872, can Wasim hold JS liable for non-performance?

- (a) Yes, because the contract between JS and Wasim became enforceable on 20 August 2024
- (b) Yes, because JS sold the raft to the expedition team at a higher price
- (c) No, because the contract between JS and Wasim became void on 20 August 2024
- (d) No, because there was no contract between JS and Wasim

(1.5)

- (iii) Rehan, an archery expert, agreed to conduct a two-week archery training program, including weekends, at The Archery Club (TAC) for a daily fee of Rs. 15,000. TAC paid Rs. 210,000 to Rehan in advance before the training commenced on 19 August 2024. After six days of training, Rehan wilfully absented himself on the following Sunday. TAC arranged another trainer for the day and paid him Rs. 25,000. Rehan was allowed to resume the training on the next day, and he concluded the training on 1 September 2024, without any further absence.

Under the Contract Act, 1872, which of the following amounts can TAC recover from Rehan?

- (a) Rs. 10,000
- (b) Rs. 15,000
- (c) Rs. 25,000
- (d) Rs. 40,000

(1.5)

- (iv) Under the Payment Systems and Electronic Fund Transfers Act, 2007, which of the following is **NOT** an operational arrangement required to be established by an operator of a Designated Payment System (DPS)?
- Procedures setting out the financial risks that may be incurred by the participants
 - Procedures, controls and measures for the management of all types of risks
 - Contingency arrangements to ensure operational reliability of the DPS
 - Rules and procedures setting out the liabilities of the participant
- (01)**
- (v) Under the Negotiable Instruments Act, 1881, which of the following is an essential condition for a person to be considered a 'holder in due course' of a negotiable instrument?
- He must have obtained the negotiable instrument for valuable consideration
 - He must have taken possession of the negotiable instrument after the maturity date
 - He must not hold the negotiable instrument in good faith
 - He must have the right to sue at least one party liable under the negotiable instrument
- (01)**
- (vi) Under the Negotiable Instruments Act, 1881, which of the following instruments issued by Karim is a valid negotiable instrument?
- I am bound to pay Ali Rs. 500,000 that I have taken from him
 - I promise to pay Ali Rs. 500,000 for goods delivered to me on 31 August 2024
 - I promise to pay Ali Rs. 500,000 and deliver my entire collection of books to him
 - I am liable to pay Ali Rs. 500,000 two months after Kamran's death
- (01)**
- (vii) Waqar agreed to purchase a piece of land from Bilal for Rs. 50 million, to be used for industrial purposes due to its location. However, a subsequent change in the zoning law reclassified the land for agricultural use only. Consequently, Waqar has refused to make the payment as the land is no longer useful for his intended purpose.
- Under the Contract Act, 1872, determine the status of contract between Waqar and Bilal.
- The contract would become void due to supervening impossibility
 - The contract has become void due to bilateral mistake of fact
 - The contract is voidable at Waqar's option as the land does not suit his purposes
 - The contract is valid as the law changed after the contract was made
- (1.5)**
- (viii) Sadia, owner of a renowned Islamabad restaurant specializing in desserts, appointed Qasim, a minor, as an agent to assist her in procuring restaurant supplies. Qasim would not receive a commission and was working to gain experience only. On 1 August 2024, Qasim purchased 5,000 kg of sugar for the restaurant from Tariq Traders (TT) on credit, with payment due in one month. However, on 31 August 2024, following a dispute, Qasim stopped working for Sadia and refused to pay TT.
- Under the Contract Act, 1872, can TT be entitled to recover payment for 5,000 kg of sugar from Sadia?
- No, because TT's agreement with Qasim being a minor was void
 - No, because Qasim's agreement with Sadia was void due to lack of consideration
 - Yes, because the contract to sell 5,000 kg of sugar was between TT and Sadia
 - Yes, because Qasim and Sadia were jointly and severally liable to pay TT
- (1.5)**
- (ix) A general duty of a partner under the Partnership Act, 1932 that cannot be changed by agreement among the partners, is the duty of each partner to:
- carry on business to the benefits of the general public
 - indemnify the firm for wilful neglect in the conduct of the firm's business
 - account for personal profits derived from the use of the firm's property
 - render true accounts of the firm to other partners or their legal representatives
- (01)**

- (x) Pervaiz agreed to supply hiking equipment for Rs. 300,000 to Gliding Climbs (GC) for a tour on 31 August 2024. GC emphasized to Pervaiz the importance of timely delivery; otherwise, GC would lose the expected profit of Rs. 150,000 from the tour.

On 20 August 2024, Pervaiz informed GC of his business closure and refused to supply the equipment. GC purchased the equipment for Rs. 400,000 on 31 August 2024 from the market and sued Pervaiz for damages.

Under the Contract Act, 1872, determine the amount of damages that GC may claim.

- (a) Rs. 50,000 (b) Rs. 100,000 (c) Rs. 150,000 (d) Rs. 250,000 (1.5)

- (xi) Zia, Zahid and Zeenat formed a partnership called Zee Traders (ZT) and agreed to share profits equally. It was mutually agreed that Zeenat would not participate in the business operations, and in case ZT incurs a loss, it would be shared equally by Zia and Zahid.

Recently, a supplier named Soccer Textiles (ST) has filed a suit for the recovery of Rs. 5 million against all partners.

Under the Partnership Act, 1932, can Zeenat be held liable by ST for payment?

- (a) No, because Zeenat is a partner of ZT in profits only
 (b) No, because only Zia and Zahid share the losses equally
 (c) Yes, because Zeenat being ZT's partner is also severally liable for all acts of ZT
 (d) Yes, but Zeenat is liable only to the extent of her share in the profits (1.5)

- (xii) Aqib and Usama are partners in Tennis Clinics (TC) whose operations are managed by Usama. On 1 August 2024, a vehicle was purchased for Rs. 5 million from an authorized dealer and the purchase price was paid through a cheque from TC's bank account that was signed by Usama. On the same day, the vehicle was delivered directly to Usama's home. Since Usama purchased the vehicle for his personal use, he recorded himself as a debtor for Rs. 5 million in TC's books.

Under the Partnership Act, 1932, would the vehicle be considered as TC's property?

- (a) Yes, because Usama purchased the vehicle on behalf of TC
 (b) Yes, because the vehicle was purchased using TC's funds
 (c) No, because Usama clearly intended to use the vehicle for personal purposes
 (d) No, because Aqib's consent was not taken before the vehicle was purchased (01)

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

Q.3 (a) List **four** circumstances under which the State Bank of Pakistan may revoke the designation of a designated payment system under the Payment Systems and Electronic Fund Transfers Act, 2007. (04)

(b) Briefly explain when a person would be considered as an offender and liable for punishment under the Prevention of Electronic Crimes Act, 2016. (05)

Q.4 (a) Under the Partnership Act, 1932, identify the rights and limitations of transferee of a partner's interest. (03)

(b) Under the Negotiable Instruments Act, 1881, explain **three** types of cheque crossings and their respective effects. (03)

Q.5 Squash Management (SM) specializes in organising large-scale destination events, managing all aspects including travel, accommodation and event venue management such as catering and decoration arrangements. Below are some of the key incidents that SM has recently experienced:

- (a) In August 2024, SM paid an advance of Rs. 100,000 to Farhan for purchasing a vending machine from Karate Transports (KT) for office use. KT is a partnership firm with two partners, Haroon and Farhan. When the machine was not delivered within agreed time, SM contacted KT and learned that, under the partnership agreement, Farhan was not authorised to sell KT's assets and that Farhan spent the advance on personal expenses without informing KT. *Under the Partnership Act, 1932, discuss the remedies available to SM, if any.* (04)
- (b) SM agreed to supply customised shields and trophies on 31 August 2024 for a marathon organised by Athletes Association (AA). The customised items, displaying marathon date and name of the organisers, along with other sponsors, were to be manufactured by Frisbee Carvers (FC). However, FC failed to manufacture the items on agreed time due to a labour strike, and SM was unable to deliver them to AA by 31 August 2024. *Under the Contract Act, 1872, evaluate SM's position in this situation.* (03)
- (c) SM agreed to manage a corporate event on 2 September 2024 and received full payment in advance from its customer, Rizwan. On the day of the event, Rizwan additionally requested SM to arrange 500 kg of fresh flowers for venue decoration. SM purchased the flowers from Climbing Florals for Rs. 600,000, agreeing to pay within a week. The flowers were used in the venue decor and Rizwan has promised to pay Rs. 600,000 to SM on 8 September 2024. *Under the Negotiable Instruments Act, 1881, prepare draft of a single negotiable instrument that SM may issue in settlement of both transactions. (Assume necessary details for the preparation of negotiable instrument)* (05)
- (d) On 3 September 2024, a team of four employees of SM reached Paragliding Club (PC) at 8:30 am to set-up its auditorium for PC's annual members' meeting, scheduled at 3:00 pm sharp. However, due to administrative mishandling by PC, access to the venue will not be provided to SM until 2:00 pm. SM's team believes that proper arrangements cannot be made in respect of venue decor, live food station set-up and photography in such a limited timeframe and consequently this will disrepute SM in the market. PC has already paid Rs. 5 million in advance. *Under the Contract Act, 1872, suggest possible course(s) of action for SM.* (04)

Q.6 (a) Surfing Athletics (SA), a partnership firm engaged in the business of manufacturing various types of sports equipment, is managed by its partners, Shahid and Wahaj. SA now wants to expand its business, and they have approached Mohsin primarily to arrange capital investment.

Mohsin is keenly interested in SA, due to the steep profit margins of SA's existing products. However, unfamiliar with SA's business practices and conduct, Mohsin is hesitant to join directly as a partner because he fears this might compromise his established reputation in the market. Mohsin discussed his concerns with SA's partners, and they have asked him to consider the following options for a prospective collaboration:

- (i) Lend money to SA in exchange for an entitlement to receive a fixed profit share.
 (ii) Invest capital into SA through his spouse, Saba, who would then become SA's partner.

Under the Partnership Act, 1932, identify the rights and duties, if any, of Mohsin and Saba separately under respective option to help Mohsin make an informed decision. (09)

- (b) Assume that in (a) above, Mohsin invested capital in SA through his minor son, Aijaz, who was admitted to the benefits of SA in May 2024.

On 1 August 2024, Aijaz reached the age of majority. On 31 August 2024, Aijaz gave a public notice in the newspapers announcing that he has elected not to become SA's partner.

Under the Partnership Act, 1932, identify the rights of Aijaz with regards to SA before and after the issuance of the public notice. (03)

Q.7 Assume that the date today is 30 November 2023.

- (a) Snowboarding Dealers (SD) manufactures and sells winter sports equipment. SD entered into a contract with Alpine Skiing Resort (ASR) to deliver 100 customised snowboards by November 2023 for Rs. 1 million at the resort in Malam Jabba. ASR intends to use the snowboards for the upcoming snow season in December 2023.

SD manufactured the snowboards in early November 2023. However, the weather conditions and the resort's high altitude have made it difficult to deliver the order to ASR. SD does not have specialized vehicles capable of delivering snowboards in such weather conditions. Considering the delivery challenges, on 30 November 2023, SD has asked ASR to either pick up the order from its factory, or wait until the weather conditions improve.

Under the Contract Act, 1872, discuss SD's position and identify the remedies available to ASR, if any. (05)

- (b) Assume that in (a) above, ASR agrees to pick 60 snowboards directly from the factory, for a proportionate contract price of Rs. 0.6 million. Since the snowboards have been customised, SD cannot sell the remaining snowboards to other customers.

Under the Contract Act, 1872, identify the course(s) of action available to SD. (03)

- (c) Being SD's regular customer, ASR's account has two outstanding invoices, of Rs. 1 million each, against the orders delivered in July 2023 and September 2023. In October 2023, SD has received a payment of Rs. 1.5 million from ASR; however, no intimation was given by ASR as to which invoice the payment should be settled against.

Under the Contract Act, 1872, advise how the payment would be adjusted. (03)

Q.8 Malik deals in real estate and has opened his offices in all major cities of Pakistan. Below are some of the recent events related to Malik's business for which he requires your advice:

- (a) Malik has received an offer from a senior citizen to purchase her farm for Rs. 15 million, with a request for acceptance by 30 September 2024. Considering the farm's remote location, Malik believes that it can be purchased for Rs. 12 million. However, Malik is still evaluating the proposed deal at usual pace considering there is ample time to make the decision. Meanwhile, his manager believes that there is a significant chance of losing the deal if acceptance is delayed. *Under the Contract Act, 1872, identify the possible situations in which the offer to sell the farm would be revoked.* (04)

- (b) Malik advised his son Hamid to start his own real estate business. To help cover expenses for running the business, Malik promised to transfer a commercial vehicle to Hamid, by 31 December 2024. Subsequently, Hamid promised to Malik that he would not deal in Karachi properties for two years since his family was well-known there, and it could be mistaken that he was running his father's business instead of establishing his own identity. *Under the Contract Act, 1872, evaluate the validity of the promises made by Malik and Hamid.* (03)

Q.9 Under the Contract Act, 1872:

- (a) state the rules regarding performance of joint promises and devolution of joint rights. **(05)**
- (b) describe contingent contracts and identify the circumstances in which a contingent contract can be enforced. **(05)**
- (c) define 'fraud' and discuss the enforceability of an agreement when consent to the agreement is caused by fraud. **(04)**

Q.10 Maaz offered to sell a cricket bat to Furqan, who agreed to purchase it for Rs. 0.5 million after being told by Maaz that the cricket bat was autographed by Wasim Ahmed, a rising cricket star. Furqan paid the contract price in advance, and Maaz promised to deliver the cricket bat by 30 September 2024. Subsequently, Maaz showed the cricket bat to his friend Rashid, who informed him that the cricket bat was actually autographed by Wasim Akram, a cricket legend, and offered to purchase it for Rs. 25 million.

Realising his error, Maaz sent an apology letter to Furqan, stating that he cannot sell the cricket bat, and enclosed a cheque for Rs. 0.5 million. The letter was delivered to Furqan on 2 September 2024.

Under the Contract Act, 1872, evaluate Maaz's position and discuss the remedies available to Furqan, if any. **(05)**

(THE END)