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## Business Law

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**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) Under the Contract Act, 1872, a proposal may be revoked at any time before the communication of its acceptance is complete, as against the:
- (a) acceptor      (b) promisee      (c) proposer      (d) offeree      **(01)**

- (ii) Aqib and Haris are partners in Quadrilateral Sports (QS). Maaz placed an order to purchase 10,000 footballs from Aqib and paid an advance of Rs. 100,000 to him. Aqib neither informed Maaz about his partnership in QS nor did he inform Haris about Maaz's order and spent the advance on his personal expenses. When Maaz did not receive the order on agreed date, he investigated Aqib's background and found out that Aqib is a partner in QS.

Under the Partnership Act, 1932, can Maaz hold QS liable for the delivery?

- (a) No, because Aqib had not informed Haris regarding Maaz's order  
(b) No, because Maaz was unaware of Aqib's partnership in QS upon purchase  
(c) Yes, because an act done by Aqib in the ordinary course of business binds QS  
(d) Yes, because QS is liable for the misapplication of payment by its partner      **(01)**
- (iii) Zubair purchased 5,000 kg of basmati rice from Shakir and promised to pay Rs. 500,000 after two months. However, due to a fire incident at his shop, he incurred huge loss rendering him unable to pay the amount to Shakir on due date.

Mohsin, who is a friend of Zubair, intending to help him out in the crisis, sent a letter to Shakir along with a cash cheque of Rs. 475,000, requesting Shakir to accept the payment in full settlement of Zubair's debt. Shakir immediately encashed the cheque on 1 March 2024, fearing that his debt would not otherwise be recovered. He now demands the remaining payment of Rs. 25,000 and damages of Rs. 30,000 incurred by him on account of delayed payment.

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

- (a) Shakir can sue Zubair for the recovery of Rs. 25,000 only  
(b) Shakir can sue Zubair for the recovery of Rs. 55,000  
(c) Shakir can sue either Mohsin or Zubair for the recovery of Rs. 55,000  
(d) Shakir can neither sue Mohsin nor Zubair for the recovery of Rs. 55,000      **(02)**
- (iv) Which of the following is **NOT** an advantage of delegated legislation?
- (a) Delegated legislation is more flexible than an Act of Parliament  
(b) Delegated legislation is better worked out in consultation with professional, commercial or industrial groups outside Parliament  
(c) It is simpler to amend delegated legislation than to amend an Act of Parliament  
(d) The power to make law is given to unelected civil servants and experts working under the supervision of a government minister      **(01)**

- (v) Fahad, a foreign ambassador stationed in Pakistan, signed a lease agreement with a local landlord for an office space in Quetta, to be used for the foreign embassy's consular operations.

Under the Contract Act, 1872, which of the following statements is correct regarding the lease agreement signed by Fahad?

- (a) Fahad can be sued in the local courts only despite his diplomatic status
- (b) Fahad can be sued both in the local and international courts despite his diplomatic status
- (c) Fahad cannot be sued in the local courts due to his diplomatic status
- (d) Fahad cannot avoid legal actions even if a personal immunity clause is included in the lease agreement

(01)

- (vi) Which of the following would be considered a 'critical infrastructure', under the Prevention of Electronic Crimes Act, 2016?

- (a) Any system whose disruption could lead to the loss solely to the business, taking into account significant social impacts
- (b) Any system whose compromise could lead to significant loss of life, taking into account significant social impacts
- (c) Any facility whose disruption could result in significant loss to private business operations, taking into account economic impacts
- (d) Any facility whose disruption could result in significant loss to operations of the public transportation system

(01)

- (vii) Jamal purchased a ticket from Hexagon Cruises (HC) for cruise ship journey from Pakistan to Georgia for Rs. 300,000, scheduled to reach there on 29 February 2024. The objective of Jamal's trip was to deliver his speech on the first two days of the five-day conference he was attending in Georgia. In consideration, he received Rs. 100,000 advance from the Georgia Research Institute (GRI).

On the date of departure, HC cancelled the journey. Jamal purchased the next available ticket from Oval Cruises for Rs. 500,000, scheduled to depart after two days. Jamal arranged hotel accommodation costing Rs. 30,000 and incurred necessary expenses of Rs. 20,000 during his two days extended stay in Karachi. He finally reached Georgia on 3 March 2024 and had to refund Rs. 100,000 to GRI as he did not deliver his speech as contracted.

Under the Contract Act, 1872, which of the following amounts can Jamal recover from HC?

- (a) Rs. 500,000    (b) Rs. 550,000    (c) Rs. 600,000    (d) Rs. 650,000

(02)

- (viii) With reference to 'undue influence', as explained in the Contract Act, 1872, which of the following statements is **NOT** correct?

- (a) The contract is voidable at the option of the party whose consent was caused through exercise of undue influence
- (b) A person is deemed to be in a position to dominate the will of another where he holds apparent authority over the other person
- (c) Consent is said to be free when it is not caused by undue influence
- (d) The burden of proving that undue influence was not applied shall lie upon the person whose will was dominated by the other person

(01)

- (ix) Which of the following would constitute as an act of glorification of an offence under the Prevention of Electronic Crimes Act, 2016?

- (a) Disseminating information through a device praising an act of terrorism
- (b) Preparing information that glorifies the contributions of a political party
- (c) Gaining authorized access to any critical infrastructure information system
- (d) Disseminating the verdicts given by the courts to criminals in high profile cases

(01)

- (x) Malik engaged Waqas to carry out maintenance of the equipment installed in the garden area of his house. While working on maintenance tasks, Waqas noticed a gas leak in the kitchen. To prevent any casualty, Waqas promptly fixed the gas leak using his tools without seeking Malik's consent since he was not at home. Malik later thanked him for taking timely action.

Under the Contract Act, 1872, can Waqas hold Malik liable to pay for his services in respect of fixing the gas leak?

- (a) No, as Malik had not engaged Waqas to fix the gas leak
- (b) No, because the service charges for fixing the gas leak were not ascertained
- (c) Yes, if Waqas did not intend to fix the gas leak gratuitously
- (d) Yes, because Waqas fixed the gas leak as Malik's agent **(01)**

- (xi) Nadir, Rehan and Saqib signed a partnership agreement on 5 March 2020 stipulating a profit-sharing ratio of 50:25:25. Nadir has been the only partner involved in managing the firm's business. Subsequent to the agreement, the firm's profits were distributed annually among the partners in the ratio of 70:15:15, a practice which neither Rehan nor Saqib opposed. However, due to an extra-ordinary increase in the current year's profit, Saqib highlighted the need to abide by the profit-sharing ratio of 50:25:25 as stipulated in the signed partnership agreement to which Nadir disagrees.

Under the Partnership Act, 1932, which of the following statements is correct with respect to the profit-sharing ratio?

- (a) The ratio of 70:15:15 cannot be changed without the consent of all the partners
- (b) The ratio of 50:25:25 may be enforced through legal action against Nadir
- (c) The ratio can be changed to 50:25:25 with the consent of majority of the partners
- (d) The ratio can be changed by Nadir being the only partner managing firm's business **(1.5)**

- (xii) Sana received a promissory note from Bilal as payment for settlement of a personal loan extended by her. She intends to settle her obligation towards Zaheer by indorsing the same promissory note in Zaheer's favour. However, she noted that the promissory note already had indorsements covering it, leaving no space for Sana's signature to indorse it further.

Under the Negotiable Instruments Act, 1881, which of the following statements is correct?

- (a) Sana must ask Bilal to send another promissory note with enough space on it for further indorsement
- (b) Sana can indorse the promissory note through an e-mail sent to Zaheer as proof of indorsement
- (c) Sana can add her indorsement by signing a slip of paper and then attaching it to the promissory note
- (d) Sana must issue a new promissory note due to non-availability of space for further indorsement **(1.5)**

- Q.2 (a) Under the provisions of the Contract Act, 1872, describe quasi-contracts and explain the circumstances in which a quasi-contract may be formed. **(05)**

- (b) Under the provisions of the Partnership Act, 1932, list the restrictions imposed on the implied authority of a partner. **(04)**

- Q.3 (a) Under the provisions of the Competition Act, 2010, identify the agreements that are specifically void, unless exempted otherwise. **(06)**

- (b) Define the term 'Electronic fund' under the provisions of the Payment Systems and Electronic Fund Transfers Act, 2007. **(04)**

Q.4 Briefly describe the legislative process for a bill passed by the National Assembly but rejected by the Senate. (04)

Q.5 Pentagon Dealers (PD) is a partnership firm engaged in the purchase and sale of automobiles. Saad, Mona and Zain, partners in PD, share profit in equal proportion.

Following are some of the matters related to PD and its partners:

(a) A car racing championship is planned to be held in Karachi on 31 March 2024. On 1 January 2024, PD entered into marketing collaboration with a car racer, Sphere Ryders (SR), for Rs. 2 million. Under the collaboration, PD also promised to deliver a brand new sports car to SR if it wins the finale of the championship. However, on 1 March 2024, Zain cancelled the sports car incentive on PD's behalf when the car prices increased exponentially. *Under the provisions of the Contract Act, 1872, evaluate PD's position and discuss the remedies available to SR, if any.* (04)

(b) On 1 January 2024, Saad entered into another partnership namely Triangular Tours (TT) which arranges trips for the tourists. However, Saad did not inform Mona and Zain regarding his new partnership venture. During the first two months, TT earned a profit of Rs. 10 million. *Under the provisions of the Partnership Act, 1932, determine Saad's liability towards Mona and Zain in respect of profits earned through TT's business.* (04)

(c) Mona owns a 500 square yard plot in a commercial area on which she intends to construct a grand car showroom in her own name. To cover the construction expenses, she obtained a personal loan from Circle Bank Limited (CBL). As a security of the loan, CBL's charge has been created over Mona's interest in PD. *Under the provisions of the Partnership Act, 1932, describe CBL's rights and limitations in respect of PD.* (04)

(d) PD sold a Mercedes-Benz, and in exchange, the customer issued a cheque crossed generally for Rs. 50 million in favour of 'Pentagon Dealers'. Zain was concerned for the safety of the cheque, so he added the words 'not negotiable' between the two parallel transverse lines in his own handwriting. *Under the provisions of the Negotiable Instruments Act, 1881, explain what would be the effect(s) of Zain's action on the cheque.* (04)

Q.6 Nonagon Books (NB), owned by Haroon, is a publishing house that also deals in a wide variety of educational books. The following are some matters related to NB that need to be addressed under the provisions of the Contract Act, 1872:

(a) NB agreed to purchase 15,000 medical books worth Rs. 50 million from Heptagon Publishers (HP), with the delivery scheduled for 25 February 2024. NB promised to provide a bank guarantee as security for the payment. However, HP did not deliver the books on the agreed delivery date because NB did not provide the bank guarantee. Subsequently, NB sued HP for non-performance of contract, claiming that since the books were not received, the bank guarantee was not provided. *Discuss NB's position and its liability, if any.* (03)

(b) NB placed an order with Octagon Printers (OP) for 100,000 copies of a Pakistani scientist's autobiography, with a delivery deadline of 2 March 2024. NB had informed OP of its intention to sell the autobiography at an exhibition scheduled for 3 March 2024, anticipating a profit of Rs. 5 million from the sale. However, due to unforeseen delays, the order arrived on 4 March 2024, at 11 p.m., when NB's warehouse was still open for stock count. *Discuss the possible course(s) of action that NB is entitled to take.* (04)

(c) NB's warehouse, located in a remote area, reported a significant shortfall in inventory. Upon further inquiry, it was revealed that Moiz, the warehouse manager, was involved in the theft of inventory. Subsequently, Moiz agreed to pay the price of stolen inventory when Haroon promised to withdraw the suit filed against him. *Advise whether Moiz can hold Haroon liable if he pays the agreed price but the suit filed against him is not withdrawn.* (03)

- Q.7 (a) Four software engineers, namely Ali, Fawad, Shakir and Zia, formed a partnership firm named Trapezoid Developers (TD) in March 2021, agreeing to operate the software development business for a three-year term. By the start of year 2024, TD started receiving an increasing number of contracts for software development.

Ali and Fawad now wish to continue the partnership beyond the three-year term and have prepared a proposal to expand the business by providing one-window solution for all hardware and software related matters. The proposal contains the following terms:

- (i) Induct Nazir, a computer hardware expert, as a partner into TD, who will look after all hardware related matters.
- (ii) Acquire a computer hardware store which will arrange all necessary hardware as per the requirements of TD's clients.
- (iii) Setup a new division to meet the growing demand for customized mobile applications.

The following responses have been received regarding the proposal:

- (i) Shakir is concerned that even if all the partners accept the proposal, the business cannot continue under TD's name and therefore, a new partnership firm should be formed. He is also not in favour of starting development of customized mobile applications.
- (ii) Zia argued that TD should not pursue hardware business due to increasing exchange rates and diminishing purchasing power of consumers.

Under the provisions of the Partnership Act, 1932, evaluate the responses received from TD's partners and assess their possible effects on the implementation of the proposal. **(07)**

- (b) Abid, a proposed partner in a partnership firm, has inquired you about the circumstances in which he must indemnify the firm and the situations in which the firm would indemnify him, after he becomes the partner.

Under the provisions of the Partnership Act, 1932, respond to Abid's inquiry. **(05)**

- Q.8 (a) Rectangle Pharmaceuticals (RP) offered to sell 1,000 cartons of a life-saving drug at a discounted price to Cube Medicos (CM) and requested a confirmed purchase order by 7 March 2024. RP received CM's response letter on 5 March 2024 confirming an order for 500 cartons at the offered price, mentioning that the purchase order would be dispatched within a week. The letter was accompanied with a cheque for advance payment.

Under the provisions of the Contract Act, 1872, evaluate CM's response to RP's offer. **(04)**

- (b) Square Research (SR) is in the process of developing a medical device with radio sensor technology. In January 2024, SR entered into an agreement with Crescent Pharmaceuticals (CP) under which CP agreed to purchase 500,000 units of that medical device from SR in June 2024, if SR obtains regulatory approvals from the Drug Regulatory Authority of Pakistan (DRAP). CP paid an advance of Rs. 10 million to SR.

In February 2024, SR initiated the approval process with DRAP. However, before the approval was granted, the Ministry of Health revised its guidelines and banned the use of radio sensor technology for medical purposes. SR incurred Rs. 12 million for obtaining the approval from DRAP.

Under the provisions of the Contract Act, 1872, evaluate CP's position and identify the remedies available to it, if any. **(05)**

Q.9 Rashid, a renowned barista, held a coffee extraction demonstration session at his café. He showcased a particular model of coffee machine, mentioning it as the most common model used by various coffee shops in Italy. Impressed by the demonstration, Aisha purchased the machine for Rs. 200,000. Rashid congratulated Aisha and stated that the machine would brew 5,000 coffee cups before needing maintenance.

Within a month of purchase, Aisha noticed a significant decline in the machine's performance after just 500 coffee cups. Upon consulting a service center, she was informed that the machine required maintenance at an exorbitant service charge of Rs. 100,000. Aisha was deeply disappointed by this unexpected expense believing that Rashid had misguided her.

Under the provisions of the Contract Act, 1872, discuss Rashid's position and the remedies available to Aisha, if any. **(04)**

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

(a) identify the agreements that are expressly declared to be void. **(06)**

(b) define the term 'agent' and explain how the authority of an agent is determined. **(05)**

**(THE END)**