

FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN BPS-17 UNDER THE FEDERAL GOVERNMENT, 2001.

MERCANTILE LAW

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Attempt FIVE questions in all, including question No.8 which is  
COMPULSORY. All questions carry EQUAL marks.

1. Discuss the importance of free consent in contracts. When do you think, consent is said to be 'not free', and what effect will such a consent have on contracts?
2. Discuss in detail remedies for breach of a contract given to a seller against the buyer in the Sale of Goods Act.
3. Define partnership, and discuss the essential elements of partnership in detail.
4. What do you understand by the words, 'negotiation' and 'negotiable'? There are special rules of evidence relating to negotiable instruments. What are they?
5. What is arbitration? How an arbitrator is appointed, and what are his powers under the Arbitration Act?
6. Explain the nature of a contract of insurance. Distinguish between life insurance and other kinds of insurances.
7. Write short notes on the following:
  - (a) Surety
  - (b) Warranties
  - (c) Bailment
  - (d) Award

COMPULSORY QUESTION

8. Write only the correct answer in the Answer Book. Do not reproduce the questions.
  - (1) A proposes, by a letter sent by post, to sell his house to B. The acceptance of the proposal is complete:
    - (a) the moment the letter is posted by A;
    - (b) the moment the letter is received by B;
    - (c) None of these.
  - (2) In order to convert a proposal into a promise, the acceptance must be:
    - (a) Conditional; (b) Unconditional; (c) None of these
  - (3) A voidable contract may be turned by the option of the party at a loss into:
    - (a) a void contract; (b) a valid contract; (c) None of these
  - (4) The maximum number of members in a private company is:
    - (a) 60 (b) 50 (c) Unlimited.
  - (5) The maximum number of partners in a firm is:
    - (a) 18 (b) 25 (c) None of these

- (6) The Companies Ordinance, 1984:  
(a) applies to a Co-operative Society (b) Insurance Companies  
(b) None of these
- (7) A Company is subsidiary of another Company:  
(a) if the other company holds more than 50% of its voting shares;  
(b) less than 50% of its voting shares;  
(c) None of these
- (8) P appoints A as his agent. A is not a person of full age:  
(a) the appointment of A is not valid;  
(b) the appointment of A is valid;  
(d) None of these
- (9) Statutory meeting of a Company is held:  
(a) Once in the life-time of the Company; (b) every year  
(c) None of these
- (10) Publication of Prospectus is Compulsory by:  
(a) a Private Company (b) a Firm (c) None of these
- (11) Award is a decision given by:  
(a) a Court (b) an arbitrator (c) None of these
- (12) A lends some ornaments to B to be used in a marriage. The transaction is:  
(a) a bailment (b) a pledge (c) None of these
- (13) A partner may be expelled from a partnership by:  
(a) a majority of partners (b) orders of the Court  
(c) None of these
- (14) Third Party Insurance is an insurance relating to:  
(a) Motor vehicles' accidents (b) Injuries due to war  
(c) None of these
- (15) A Bill of Exchange has:  
(a) two parties (b) three parties (c) None of these
- (16) A minor:  
(a) can make, draw, accept or indorse a negotiable instrument  
(b) cannot make, draw, accept or indorse a negotiable instrument  
(c) None of these
- (17) A void as well as an illegal contract is:  
(a) Similar in effect (b) Not similar in effect (c) None of these
- (18) In the Companies Ordinance, 1984, there are:  
(a) Kinds of shares (b) No kinds of shares (c) None of these
- (19) Like a cheque, a bill of exchange may be:  
(a) crossed (b) cannot be crossed (c) None of these
- (20) An executory consideration takes the form of:  
(a) a promise to be performed in future  
(b) relates to the present act made for a promise  
(c) None of these

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COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2002

MERCANTILE LAW

TIME ALLOWED: THREE HOURS      MAXIMUM MARKS: 100

**NOTE:**

1: Attempt **FIVE** questions in all, including **QUESTION NO. 8**, which is **COMPULSORY**. All questions carry **EQUAL** marks.

2. In each of the following cases give your decision and state the legal principle that applies. Your answer must correctly identify the relevant areas of law, accurately discover and apply the appropriate principles, case-law and statute law, and should be well structured and argued. Please refrain from: (1)-Reproducing the facts of the cases; (2)-Unnecessary and irrelevant details; (3)-Unreadable handwriting.

1. Jamal Khan and Kamal Khan have planned to start a business of groceries in partnership. They have agreed that in case of any future dispute between them they will never go to a court of law for decision instead they will do their utmost to get their disputes settled by some means outside the court. What do you think how can they seek their purpose? How would you advise them?
2. Gama, Maja and Billoo were in partnership as hairdressers. On 8 April, 2002, Billoo retired from the partnership. A few days later, Gama and Maja bought, in the firm's name an expensive laser hairdressing machine to replace their traditional machines. On 17 April, a van arrived with a delivery of seven hairdressing chairs. The van driver showed them a purchase order in the firm's name, dated 3 April and signed by Billoo. Gama and Maja are refusing to pay for the chairs. They have also failed to pay for the laser hairdressing machine and the firm is in severe financial difficulties. Both suppliers are threatening. Are they bound to pay for both of the transactions? Discuss.
3. Jamal steals a bill of exchange and forges the signature of the payee on the reverse of the bill. He then transfers it for value to Bilal who takes it in good faith without being aware of the forgery. Bilal transfers the bill to Kamal. The payee discovers that Kamal is in possession of the bill and he demands that Kamal return it to him. Who is legally entitled to the bill and why? Would it make any difference to your answer if the payee had been aware that Jamal had taken the bill but had done nothing about it until he heard that Kamal was in possession of it?
4. Dilawar Khan and Badam Gul are in partnership running an extremely successful computer software business. Sanober Khan has decided to join the business and is able to invest a substantial amount of capital. They have decided that the business should be incorporated as a private limited company. Dilawar Khan, Badam Gul and Sanober Khan will each hold one third of the shares and they will be the directors of the company. Please advise them on the advantages of a limited company as compared with a partnership:
  - A. With regard to obtaining finance for further business expansion;
  - B. With regard to the liability of shareholders in the event of the winding up of the company.
5. The National Association of Potato Exporters (NAPE) requires additional storage space. It advertises for tenders to erect new storage facilities. It receives eight tenders and the Board decides to accept the tender of Imam Bakhsh & Co. The Chief Executive, Mr. Shehbaz Chatha is required to accept this offer and to notify the others that they were unsuccessful. Mr. Chatha asked his secretary to type up

## MERCANTILE LAW

the letters. A mistake is made in the typing and the name of another tenderer, Badam Gul & Co. is replaced for Imam Bakhsh & Co. The letter is signed and delivered to Badam Gul & Co. The next day when the M.D of Badam Gul & Co phoned Mr. Chatha to discuss some details of the work to be done Mr. Chatha realized that there had been a mistake. Is there a binding contract between NAPE and Badam Gul & Co?

6. On 1 September Baber contracted for the purchase of 50 computers from Sardar. The contract stated that the computers were to be delivered on 5 September. Despite the fact that Baber persistently pressed Sardar for delivery, the computers had still not been delivered by the end of the month while Sardar had repeatedly assured Baber that the computers would be delivered by the First of October at the latest. Baber then told Sardar that if the computers were not delivered by the 5 October, the contract would be terminated. Sardar did not attempt to deliver until 10 October. Having bought other computers on the 6 October, Baber refused to take delivery. Was he justified in refusing the delivery? Discuss.
7. Mr. Brown agreed to sell his computer of a specified mark and model to Mr. Green for Rs. 30,000/-. When Mr. Green went to him to pay him the price and pick up the computer he found that Brown had already sold such computer to someone else. He threaten to sue Brown for the Breach of Contract but later on the same day he bought a computer of the same mark, model and specification for a Rs. 20,000/-. Should he sue Brown for the Breach of Contract? Is there any benefit for him in bringing such action against Brown?

## COMPULSORY QUESTION

8. In each of the following clauses of this question only one statement is correct. Write down in your answer book only the correct statement of the following clauses. DO NOT WRITE THE WHOLE CLAUSE.
- (1). Portage Ltd wishes to alter its memorandum to state that all of the company's shareholders must hold a minimum of 200 shares. Can Brian, who currently owns 100 shares, be bound by this alteration?
- Yes, if the alteration is done by special resolution.
  - Yes, if the alteration is done by ordinary resolution.
  - Yes, but only if he gives his written consent.
  - None of these.
- (2). Gama offers to sell his Car to Maja for Rs. 550,000/-, Maja accepts the offer but states that he would buy it for Rs.500, 000/-. The statement of Maja is:
- A conditional acceptance;
  - A counter offer;
  - Rejection to the offer.
  - None of these.
- (3). Kala Khan agreed to supply onion to Sodagar Khan six months after the date of contract and Kala Khan agreed to pay for such supply. Two months after the conclusion of the contract Kala Khan refused to supply. In such case which of the following facts is correct?
- Sodagar Khan cannot sue Kala Khan until the expiry of six months after the date of the contract;
  - Sodagar Khan cannot sue Kala Khan because he has not yet paid him for the onions;
  - Sodagar Khan can validly sue Kala Khan any time after he refused to supply onions.
  - None of these.

FILE LAW

Sharafat Hussain offered to sell his *lagna* to Sadaqat Hussain for Rs. 35,000/- but Sadaqat Hussain did not answer and nearby standing Kiramat Hussain accepted the offer. Kiramat Hussain's answer to the offer is:

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- A. A conditional acceptance;
  - B. A counter offer;
  - C. An offer.
  - D. None of these.
- (5). The appointment of a person of the minor age as an agent is:
- A. Void;
  - B. Valid;
  - C. Voidable.
  - D. None of these.
- (6). Third party Insurance is an insurance for:
- A. Motor vehicles' accidents;
  - B. Injuries in war time;
  - C. None of these.
- (7). A bill of exchange involves:
- A. One party;
  - B. Three Parties;
  - C. More than three parties.
  - D. None of these.
- (8). A bearer instrument may be negotiated by:
- A. Mere delivery;
  - B. Endorsement and delivery;
  - C. Delivery with a separate written contract.
  - D. None of these.
- (9). An order instrument may be negotiated by:
- A. Mere delivery;
  - B. Endorsement and delivery;
  - C. Delivery with a separate written contract.
  - D. None of these.
- (10). A partnership business is unlawful if the number of partners in it is:
- A. More than seven;
  - B. More than ten;
  - C. More than twenty.
  - D. None of these.
- (11). The relation between the partners of a firm is of:
- A. Employer and Employee;
  - B. Trustee and Beneficiary;
  - C. Principal and Agent.
  - D. None of these.
- (12). An unregistered contract of partnership is:
- A. Valid;
  - B. Void;
  - C. Unenforceable.
  - D. None of these.
- (13). A decision made by arbitrators is called:
- A. Sentence;
  - B. Award;
  - C. Judgement.
  - D. None of these.

**MERCANTILE LAW**

(14). An arbitrator in an arbitration reference is appointed when the number of arbitrators is: [www.indianpapers.com](http://www.indianpapers.com)

- A. Odd;
- B. Even;
- C. None of these.

(15). The minimum number of members in a Private Limited Company is:

- A. Seven;
- B. Two;
- C. Fifty.
- D. None of these.

(16). A Public Limited Company must have:

- A. Ten directors;
- B. Seven directors;
- C. Two directors;
- D. None of these.

(17). Which of the following rights a company cannot have:

- A. Right to own immovable property;
- B. Right to vote in the general elections of the state;
- C. Right to sue in its own name.
- D. None of these.

(18). The minimum age for a person who concludes a contract of sale of goods is:

- A. Twenty years;
- B. Sixteen year;
- C. Eighteen years
- D. None of these.

(19). It is essential for the validity of a contract of sale of goods that the price must be paid:

- A. In advance;
- B. Three days after the delivery;
- C. None of these.

(20). If the delivery of goods under a contract of sale of goods is late:

- A. The buyer is not bound to accept the delivery;
- B. The buyer is bound to accept the delivery;
- C. None of these.

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# FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2003

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## MERCANTILE LAW

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS: 100**

**NOTE:** Answer FIVE questions in all, including question **NUMBER- 8** which is **COMPULSORY**. All questions carry **EQUAL MARKS**. In each of the following cases give your decision and state the legal principle that applies. Your answer must correctly identify the relevant areas of law, accurately discover and apply the appropriate principles, and should be well structured and argued. Please refrain from: (1)-Reproducing the facts of the cases; (2)-Unnecessary and irrelevant details; (3)-Unreadable handwriting.

1. Asif and Babar carried on a business of household furniture under the name, "Asif & Babar's". The partnership was dissolved in April 1999, but Babar carried on the business under the same name. In 2001 Karigar (Pvt) Ltd. which had not previously dealt with Asif & Babar's, obtained an order to supply them with six suits of furniture. The price was never paid, and the company obtained judgement for the recovery of the price against Asif & Babar's, and sought to enforce it against Asif. The only knowledge which the company had of Asif was that his name had appeared on some old headed notepaper (used before the dissolution), which had been used by Babar without Asif's authority in confirming the order for the purchase of the furniture, and which Asif had failed to destroy before he left the firm. Is Asif liable to Karigar (Pvt) Ltd? Why or why not?
2. "The Law treats a registered company as a separate legal person from its members. To this general rule there are several exceptions." Examine the statement by giving two examples of circumstance in which the court will look at the reality behind the legal façade.
3. Aftab subscribed for shares in Overseas Trade Ltd. on the basis of the prospectus which showed that for the previous five years the company had earned substantial and increasing profit. Shortly after allotment he sold half of his shares to Bilal at a large profit. The information in the prospectus was correct but it omitted to mention that much of the business was in the Middle East and because of war in that region the profits had been materially reduced. The shares are now half the price paid by Aftab.  
Compare and contrast the remedies available to Aftab and Bilal in such a situation.
4. How is a contract affected by a unilateral mistake of fact? Discuss in detail.
5. Arif purchased a used car from Green Motors. He asked the seller if the car had ever been wrecked in an accident. The salesperson of the Green Motors Ltd. had never seen the car before that morning and knew nothing of its prior history, but quickly answer Arif's question by saying, "No! It has never been wrecked in an accident." In fact the car had been seriously damaged in an accident and, although repaired, was worth much less than the value it would have had if there had not been any wreck. When Arif learnt the truth, he sued Green Motors Ltd. and the salesperson for rescinding the contract on the basis of fraud. They raised the defence that the salesperson did not know that the statement was false and had not intended to deceive Arif? Did the conduct of the salesperson constitute fraud? Why or why not?
6. Compare the status of the finder of a lost cheque with the status of the finder of a lost watch. Discuss in detail.

7. There was a dispute between Ali and Bashir which they referred to an arbitrator. The arbitrator decided for Bashir. A law graduate nephew of him told him that, unlike a judgement of a court of law, the award of an arbitrator can not be executed by a court.  
Can he involve a court in the execution of such award? How? Under which law? Advise him in detail.

COMPULSORY QUESTION

8. In each of the following clauses of this question only one statement is correct. Write down in your answer book only the correct statement of the following clauses. **DO NOT WRITE THE WHOLE CLAUSE:**
- (1) To what extent is a member of a company which is limited by guarantee personally liable for the company's debts?
    - (a) He is personally liable for all the company's debts at any time.
    - (b) He is personally liable for all the company's debts if the company is wound up.
    - (c) His personally liability is limited to the amount set out in the memorandum on a winding up.
    - (d) His personally liability is limited to the amount set out in the memorandum at any time.
    - (e) None of these.
  - (2) Jamshed, a house painter, misreads his work order and paints Salman's house by accident while Salman sits inside watching. Which of the following is correct?
    - (a) a unilateral contract has been formed.
    - (b) an implied contract has been formed.
    - (c) a bilateral contract has been formed
    - (d) a quasi-contract has been formed
    - (e) no contract has been formed
    - (f) None of these
  - (3) On 30-11-2003 A offered to buy one of the 10 tables of the same specification present in B's shop for 500 rupees. B accepted the offer. It was agreed that the table would be delivered on 1-12-2003 while the price would be paid on 8-12-2003. It was not clear which of those tables was attributed to the contract. Which of the following is correct:
    - (a) The table became the property of A when his offer to buy was accepted by B.
    - (b) The table will become the property of A on 1-12-2003 when it will be delivered to B.
    - (c) The table will become the property of A on 8-12-2003 when he will pay the price.
    - (d) None of these.
  - (4) Akram sent a proposal to Banaras by post for the sale of his stall in the Sunday Market. Banaras accepted the offer by post. Banaras may revoke his acceptance at any time before:
    - (a) Akram receives the letter of acceptance.
    - (b) The parties sign the contract.
    - (c) Banaras posts the letter of acceptance
    - (d) None of these.
  - (5) A appoints B as his agent for buying him a house. B appoints C as his agent to arrange a house to be bought. C is liable to:
    - (a) B only.
    - (b) A only.
    - (c) Both of them
    - (d) None of these
  - (6) Delivery of an insurance policy to the insured is:
    - (a) Not essential
    - (b) Essential to form a binding contract between the parties.
    - (c) Equal to the acceptance by the insurer of the terms of the policy.
    - (d) None of these.
  - (7) A partner may be expelled from a firm:
    - (a) By the majority of the partners.
    - (b) By all the partners unanimously.

STILE LAW

- (c) Under the contract of partnership if it expressly provides for the expulsion. [www.maxpapers.com](http://www.maxpapers.com)
- (d) None of these
- (8) An order instrument may be negotiated by:
- (a) Mere delivery; (b) Endorsement and delivery;
- (c) Delivery with a separate written contract. (d) None of these
- (9) A cheque is always payable:
- (a) At a fixed date. (b) On demand.
- (c) After the expiry of certain number of days after maturity.
- (d) None of these
- (10) A sold some food stuff to B, a minor, on credit. If B refuses to pay:
- (a) A can be paid out of the property of B.
- (b) A cannot be paid at all.
- (c) B will be personally liable to pay him.
- (d) None of these.
- (11) If a contract has been fully performed by both parties, that contract would be described as:
- (a) Executed Contract. (b) Executory Contract.
- (c) Implied Contract. (d) None of these.
- (12) An unregistered contract of sale of a computer is:
- (a) Valid; (b) Void;
- (c) Unenforceable. (d) None of these.
- (13) A decision made by an arbitrator is:
- (a) Final; (b) Appealable.
- (c) Appealable with the agreement of the parties.
- (d) None of these.
- (14) Each party to an arbitration agreement can appoint:
- (a) Only one arbitrator. (b) Only two arbitrators.
- (c) Only three arbitrators. (d) None of these.
- (15) Shahid and Hamid wished to form a company. On 1 December 2002 they filed all the required documents with the Registrar. On 10 February 2003 they received the Certificate of Incorporation dated 1 February 2003. The company was incorporated on :
- (a) 1 December 2002. (b) 1 February 2003.
- (c) 10 February 2003. (d) None of these.
- (16) A public limited company must have:
- (a) Ten directors; (b) Seven directors;
- (c) Two directors. (d) None of these.
- (17) A Listed public limited company must have:
- (a) Ten directors. (b) Seven directors.
- (c) Two directors. (d) None of these.
- (18) A, aged 18 for whom a court has appointed a guardian, wants to make a contract. He can make a contract:
- (a) After attaining the age of Twenty years;
- (b) After attaining the age of Twenty-one years
- (c) Now. (d) None of these.
- (19) A agrees to pay B 10,000 rupees if his (B's) horse wins the race. The horse died one day before the race. The contract is:
- (a) Enforceable. (b) Void.
- (c) Voidable. (d) None of these.
- (20) Abid's son has forged Majid's name to a pronote. Majid under threat of prosecuting Abid's son demanded that he should sell him his bungalow that is worth one billion rupees for one million only. Abid had no way except to agree with the proposal. The contract is:
- (a) Valid. (b) Void
- (c) Voidable. (d) None of these.

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**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS**  
**IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2004**

**MERCANTILE LAW**

**TIME ALLOWED: THREE HOURS** **MAXIMUM MARKS: 100**

**NOTE:** Attempt **FIVE** questions in all, including **QUESTION NO. 8** which is **COMPULSORY**. All questions carry **EQUAL** marks.

1. A firm of building contractors had contracted to build 50 houses in 10 months. The work took 20 months to complete because of the lack of skilled labour. The contractors pleaded that the contract price was not binding on them, and that they were entitled to a greater sum on the basis of a quantum meruit in view of the extra labour costs involved because the contract had been frustrated. What are your Comments?"
2. Mr. Zulfiqar was offered the post of Professor of Law at X University on the condition that he would get his practicing licence cancelled to cease law practice. Mr. Zulfiqar did not agree to cease to practise. On this the University authorities refused to employ him in the post. Can Mr. Zulfiqar succeed in the suit brought by him against the University for getting the job? Explain.
3. A company had power under its 'Memorandum'—"to sell or lend all kinds of railway plant and to carry on the business of mechanical engineers and contractors". Its directors agreed to build a dam to produce hydal power in country T and this agreement was ratified by the company. Develop your answer keeping in view the legal importance of the object clause in a memorandum of a company.
4. A, the holder of a bill transfers it to B, without consideration. B also transfers it to C without consideration. C transfers to D for value. D transfers it to E without consideration. Discuss the rights of E against A, B, C and D.
5. Write a detailed note on the different modes of dissolution of a firm.
6. Discuss the law regarding appointment of Umpire. Can the court remove the umpire and under what circumstances?
7. Is the insurer liable in the following cases?
  - (a) A takes a policy on his life and later commits suicide.
  - (b) A takes a policy on his wife's life and divorces her. She dies.

**COMPULSORY QUESTION**

8. Write only the correct answer in the Answer Book. Do not reproduce the question.
  - (1) A person on attaining age of majority:
    - (a) Can ratify an agreement made by him during his minority
    - (b) Cannot ratify an agreement made by him during his minority
    - (c) None of these.
  - (2) A person who has attained the age of 18 while under guardian:
    - (a) is competent to contract
    - (b) is not competent to contract
    - (c) None of these
  - (3) A person who is usually of unsound mind:
    - (a) can make a contract during the interval when he is of sound mind
    - (b) Cannot make a contract during the interval when he is of sound mind
    - (c) None of these
  - (4) When a contract is substituted with a new contract:
    - (a) The original contract must be performed
    - (b) The original contract need not be performed
    - (c) None of these
  - (5) For a breach of contract:
    - (a) the plaintiff can recover compensation if the subject matter of the contract was easily available in the market
    - (b) The plaintiff can recover compensation if the subject matter of the contract was not easily available in the market.
    - (c) None of these

**MERCANTILE LAW:**

- (6) The supplier of necessaries:  
(a) Can recover the price personally from the minor  
(b) Can recover the price from the property of the minor  
(c) None of these
- (7) A contract by which one party promises to save the other from loss caused to him by the conduct of the promiser himself, or by the conduct of any other person:  
(a) Is called a contract of guaranty (b) Is called a contract of indemnity  
(c) None of these
- (8) Surety is a person:  
(a) who promises to perform or discharge the liability of a third person in case of his default  
(b) who promises to perform or discharge the liability of a creditor in a contract of guaranty  
(c) None of these
- (9) If the bailee's lawful charges are not paid, he may retain the goods:  
(a) this is known as charge (b) this is known as pledge  
(c) None of these
- (10) A person who works under the control of another:  
(a) Is known as an agent (b) Is known as contractor  
(c) None of these
- (11) A promises to pay Rs.1000 to B and takes a promissory note from him for that amount, but pays only Rs. 500 to B:  
(a) A will recover Rs.1000 on promissory note  
(b) A will recover Rs. 500 on the promissory note  
(c) None of these
- (12) A bill of exchange is addressed to B. It is accepted by (i) B as a partner of a firm in the firm's name, (ii) it is accepted by B and C:  
(a) The acceptance, by B as a partner of a firm in the firm's name is correct.  
(b) The acceptance, by B & C, is correct  
(c) None of these
- (13) A buys a nylon pant from a store and starts wearing it. A contracts skin disease:  
(a) A can recover damages from the proprietor of the store  
(b) A can recover damages from the proprietor of the store as well as the manufacture  
(c) None of these
- (14) A, B & C are partners in a business. An order for certain goods is placed with D. Before the goods are delivered, C dies. D had no notice of the death of C:  
(a) The estate of C is liable (b) A & B are jointly as well as severally liable  
(c) None of these
- (15) When a firm is put to an end as between all the parties:  
(a) it is called winding up (b) it is called dissolution  
(c) None of these
- (16) A partner may be expelled from a firm if there is agreement to that effect:  
(a) By majority of the partners (b) By all the partners  
(c) None of these
- (17) Differences between the arbitrators are:  
(a) decided by the Court (b) decided by an Umpire  
(c) None of these
- (18) A authorizes B to buy 50 sheep for him. B buys the whole lot of 44 sheep and 15 lambs for one sum of Rs. 30000:  
(a) A can repudiate the whole transaction  
(b) A must accept the whole transaction  
(c) None of these
- (19) A public limited company must have:  
(a) Ten directors (b) Two directors (c) None of these
- (20) An agreement based on bilateral mistake:  
(a) is void (b) is voidable (c) None of these

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# FEDERAL PUBLIC SERVICE COMMISSION

## COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2005

### MERCANTILE LAW

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Answer FIVE questions in all, including Question No.8 which is COMPULSORY. All questions carry EQUAL marks. In each of the following cases give your decision and explain in detail the legal principle that applies on the case. Your answer must correctly identify the relevant areas of law, accurately discover and apply the appropriate provision thereof as well as the relevant case law. Your answer must also be well structured and well argued. Refrain from: (1)- Reproducing the facts of the cases; (2)- Unnecessary and irrelevant details; (3)- Unreadable handwriting.

1. Tariq works for a book publisher, taking orders for books and delivering books to bookshops throughout North West Frontier Province. The customers pay for the books by sending payment direct to the publisher and Tariq has no authority to accept any payments. However, Hamid, the owner of the City Book Mart, has given payment for books to Tariq on a number of occasions and the publisher has not objected. A few weeks ago Hamid bought large quantity of books and gave Tariq cash. Tariq has disappeared with the money. The publisher is threatening to sue Hamid for the price of the books. Advise Hamid.
2. Javed, Murad and Danish carry on business in partnership as painters and decorators. The business was started with a loan from Javed's father Bashir, which the partners are still re-paying. The firm has two employees, Raheel and Mubashir, who, although not partners, are treated as trusted members of the firm and have their names alongside those of the partners on all of the firm's stationery. Recently the firm has had some difficulties. Javed was working at a customer's house using a blow-lamp to strip paint from the window frames, when he accidentally set fire to the wood and the house was badly damaged. Meanwhile, Murad was holding a ladder for Danish but accidentally let it slip, so that Danish fell and was injured. It has also come to light that Danish had taken money from a customer in order to buy paint and wallpaper, but instead he kept the money for himself. The two customers and Danish are threatening to sue the firm, the partners, Raheel, Mubashir and Bashir for the loss and injury they have suffered. Advise the parties as to their potential liability.
3. Sardar, the owner of a small computer shop, bought a consignment of computers from Shahbaz. The computers turned out to be defective and did not conform to the specification that Sardar had been led to expect. Sardar had assumed he was dealing directly with Shahbaz, who had not indicated that anyone else was involved in the transaction. However, when Sardar confronted Shahbaz about the defects in the computers, Shahbaz told Sardar that he had been selling the machines on behalf of Chips & Bytes (Private) Limited and added that any defects were not his responsibility as he was only an agent. Sardar has made inquiries and discovered that Chips & Bytes (Private) Limited have now gone into liquidation. Advise Sardar.
4. A and B agreed to run a tuition centre on the partnership basis. In one of the clauses of their contract they agreed that they will settle their disputes by way of arbitration instead of adjudication. In a dispute which was being settled by two arbitrators appointed by them, A noticed that his arbitrator appointed is unjustifiably favouring B. A doubts that his arbitrator might have been bribed by B, therefore, he does not expect any justice from him. How can he get rid of his arbitrator? What would you advise him in these circumstances?
5. Hightech (Private) Limited manufactures and sells computer modems. Goonline (Private) Limited is an internet service provider that requires a large and complex modem to serve its customers. Due to high demand, Goonline (Private) Limited is planning to expand its customer base from 10,000 subscribers to 15,000 subscribers. 10,000 of the subscribers can be handled by the existing modems that Goonline (Private) Limited already has. However, in order to accommodate the additional 5,000 subscribers, Goonline (Private) Limited contracts with Hightech (Private) Limited to purchase 5 additional modems at a cost of Rs. 2,000 each. The contract specifies a delivery date of 1 March. Goonline (Private) Limited spends Rs.1,000 in advertising during the month of February announcing the planned service, and is confident that it will be able to sign up an additional 1,000 subscribers in the month of March after installation of the new modems. On 1 February, Hightech (Private) Limited calls and repudiates stating that it is unable to meet the 1 March delivery due to a backlog of orders, but would be able to deliver by 1 April. Goonline (Private) Limited chooses to wait for the delivery by 1 April. After the modems are delivered and installed, Goonline (Private) Limited brings an action for the lost revenues from an anticipated 1,000 subscribers over the month of March (Rs. 20,000), the cost of advertising during the month of February (Rs.1,000), and the cost of advertising during the month of March (Rs.1,000). Which, if any, of these costs is recoverable?

6. Hassan Seeds (Private) Limited is a supplier of Soya Beans seeds. Fahad contracted with Hassan Seeds (Private) Limited for the delivery of one ton of Soya Bean seeds, for delivery at Fahad's plant. After delivery, Fahad began the process of inspecting the Soya Beans seeds for quality. The inspection testing procedure is involved, and usually takes several weeks to complete because it involves growing at least some of the seeds. After one month, Fahad noticed several defects in the seedlings that were growing. Fahad immediately notified Hassan Seeds (Private) Limited of the defects, and rejected the entire lot. Hassan Seeds (Private) Limited comes to you for advice concerning a possible action for breach against Fahad. Specifically, Hassan asks you whether Fahad has accepted the seeds, or properly rejected the seeds. How do you advise Hassan Seeds (Private) Limited?
7. Tanweer, who owns a shop selling electrical goods, received an offer from Lowprice Electrical Wholesalers to sell him 50 washing machines at a discount price of Rs.700 each. The following morning, Tanweer posted a letter to Lowprice Electrical Wholesalers accepting their offer, unaware that, at the same time, Lowprice Electrical Wholesalers had sent him a letter withdrawing the offer. Lowprice Electrical Wholesalers is now refusing to deliver the washing machines. Tanweer also received a letter from Salam's Discount Warehouse, offering to supply him with 20 freezers at Rs.1200 each. The letter stated that Salam's would assume their offer had been accepted if they did not hear to the contrary from Tanweer within 5 days. Tanweer, who did not want the freezers, ignored the letter but Salam's Discount Warehouse have now delivered the freezers to his shop.

Advise Tanweer of his legal position in respect of both Lowprice Electrical Wholesalers and Salam's Discount Warehouse.

#### COMPULSORY QUESTION

8. Write the correct answer in the Answer Book. Do not reproduce the question.
- (1) Talal is forming a business which he wants to control completely. He knows nobody else with whom he wishes to work, he values his privacy, and he dislikes formality, paper work, state filing requirements, and lawyers. What type of business organization should he prefer?
- |                           |                         |
|---------------------------|-------------------------|
| (a) general partnership   | (b) Sole Proprietorship |
| (c) Single Member Company | (d) None of these       |
- (2) The Articles of Association of a company contain:
- |   |   |
|---|---|
| (a) a set of governing rules adopted by the company                             | (b) resolutions of the board of directors |
| (c) information about the corporation, including its organization and functions | (d) None of these                         |
- (3) A partnership involves three essential elements. Which of the following is not one of those elements?
- |  |   |
|--|---|
| (a) An equal right in the management of the business | (b) Limited liability for the liabilities of the firm |
| (c) A joint ownership of the business                | (d) None of these                                     |
- (4) Rashid, Shahid, and Talal agree to form a computer business. Rashid agrees to manage the business and to assume full personal liability. Shahid and Talal agree to invest in the firm but to be liable only to that extent. These three have formed
- |                                 |                                     |
|---------------------------------|-------------------------------------|
| (a) a limited liability company | (b) a limited liability partnership |
| (c) an unlimited partnership    | (d) None of these                   |
- (5) The members of a limited partnership include:
- |                                  |                           |
|----------------------------------|---------------------------|
| (a) general and limited partners | (b) general partners only |
| (c) creditors                    | (d) None of these         |
- (6) A bearer cheque may be negotiated by:
- |   |                              |
|---|------------------------------|
| (a) Mere delivery                             | (b) Endorsement and delivery |
| (c) Delivery with a separate written contract | (d) None of these            |
- (7) The responsibility for overall management of a company belongs to:
- |                                 |                   |
|---------------------------------|-------------------|
| (a) the chief financial officer | (b) the employees |
| (c) the board of directors      | (d) None of these |
- (8) The best definition of a quorum is which of the following?
- |   |   |
|---|---|
| (a) It is 51% of all shareholders   | (b) It is the number of members of a company that must be present before business may be transacted |
| (c) It is the number of voters who must agree to alter the company's articles | (d) None of these   |

- (9) When a partnership is found liable for a debt, which assets are first used to pay the debt?
- (a) Individual assets of the partners      (b) Personal property of the limited partners  
(c) Partnership assets      (d) None of these
- (10) The board of directors does not have responsibility over which of the following areas?
- (a) The appointment, supervision, and removal of corporate officers  
(b) The appointment, supervision, and removal of employees generally  
(c) The declaration and payment of corporate dividends      (d) None of these
- (11) A found a wallet full of money on a roadside and upon finding the address of the owner in the wallet he returned it to its owner. When he came back he read the announcement of a reward for the return of such wallet in the newspaper:
- (a) The owner is liable to pay him the reward  
(b) The owner is not liable to pay him the reward  
(c) The owner is liable to pay him half of the reward      (d) None of these
- (12) Muhsin is considering forms of business organization for his law firm. One advantage of the limited liability partnership form is that it allows the limited partners to avoid personal liability for:
- (a) the malpractice of other limited partners regarding the conduct of the firm's business  
(b) the obligation of the firm beyond their contributions to the capital  
(c) the obligations of the firm within the limit their contributions to the capital  
(d) None of these
- (13) A's son has forged B's name to a promote. B under threat of prosecuting A's son demanded that A should sell him his house that is worth Rs. 1000,000/- for 300,000/-. A agrees with the proposal. The contract is
- (a) Valid      (b) Voidable  
(c) Void      (d) None of these
- (14) The best, simple definition of a contract is:
- (a) an objective "meeting of the minds"      (b) a legally enforceable agreement  
(c) a document reflecting a "meeting of the minds" between two or more competent parties  
(d) None of these
- (15) Salman signs a written contract with Khalid giving him the right to cast his votes in the election for the directors of Hashiya Limited, whose shares Salman holds. This agreement between Salman and Khalid is known as:
- (a) a derivative agreement      (b) a proxy  
(c) a Memorandum of Understanding      (d) None of these
- (16) A sent a proposal to B by post for the sale of his house. B accepted the offer by post. A may revoke his proposal at any time before
- (a) B receives the letter of proposal      (b) B posts the letter of acceptance  
(c) A receives the letter of acceptance      (d) None of these
- (17) Danish offers to sell to Sadiq a mobile phone for Rs.550. Sadiq tells Danish that he will take the phone for Rs.450. Nothing further is said and the next day, Danish demands Rs.450 from Sadiq in exchange for the phone. Choose the correct statement
- (a) Sadiq is bound to pay as his offer has been accepted by Danish.  
(b) Although there is no contract Sadiq;  
(c) Sadiq is not bound to pay as there is no contract;      (d) None of these
- (18) If you want to start a partnership what formal requirements do you have to meet?
- (a) You must register the firm with the Registrar of Firms;  
(b) You do not need to satisfy any formal requirements;  
(c) Your firm cannot operate until you draft and get registered the Articles of Partnership;  
(d) None of these
- (19) The relation between the partners of a firm is of:
- (a) Employer and Employee      (b) Trustee and Beneficiary  
(c) Principal and Agent      (d) None of these
- (20) A bearer instrument may be negotiated by:
- (a) Mere delivery      (b) Endorsement and delivery  
(c) Delivery with a separate written contract      (d) None of these