

**MERCANTILE LAW**

**FEDERAL PUBLIC SERVICE COMMISSION  
COMPETITIVE EXAMINATION FOR  
RECRUITMENT TO POSTS IN BPS-17 UNDER  
THE FEDERAL GOVERNMENT, 2010**

Roll Number

**MERCANTILE LAW**

<b>TIME ALLOWED:</b>	<b>(PART-I) 30 MINUTES</b>	<b>MAXIMUM MARKS:20</b>
	<b>(PART-II) 2 HOURS &amp; 30 MINUTES</b>	<b>MAXIMUM MARKS:80</b>

- NOTE: (i) First attempt PART-I (MCQ) on separate Answer Sheet which shall be taken back after 30 minutes.**  
**(ii) Overwriting/cutting of the options/answers will not be given credit.**

**PART – I (MCQ)  
(COMPULSORY)**

**Q.1. Select the best option/answer and fill in the appropriate box on the Answer Sheet. (20)**

- (i) A signs promissory instrument in the following terms:
  - (a) Mr. B I.O.U. Rs.1000
  - (b) I promise to pay Rs. 500 seven days after my marriage with C
  - (c) I acknowledge to be indebted to B in Rs.1000 to be paid on demand, for value received
  - (d) I promise to pay Rs. 500 to B and to deliver my black horse on 1<sup>st</sup> January next
  - (e) None of these
- (ii) How many parties are there to a "Promissory note" and a "bill of exchange"?
  - (a) There are three parties to a "Promissory note" and four to a "bill of exchange"
  - (b) There are four parties to a "Promissory note" and three to a "bill of exchange"
  - (c) There is one party to a "Promissory note" and two to a "bill of exchange"
  - (d) There are two parties to a "Promissory note and three to a bill of exchange"
  - (e) None of these
- (iii) In a cheque issued by A to B, amount is stated differently in figures and in words:
  - (a) the amount stated in words shall be the amount ordered to be paid
  - (b) the amount stated in figures shall be the amount ordered to be paid
  - (c) the cheque will be returned to the bearer by the banker for correction by the drawer
  - (d) None of these
- (iv) When consent to an agreement is caused by coercion, fraud or mis-representation, the agreement is:
  - (a) valid
  - (b) void
  - (c) voidable at the option of a party whose consent was so caused
  - (d) partially void
  - (e) None of these
- (v) A voidable contract is:
  - (a) An illegal agreement
  - (b) Partly valid agreement
  - (c) void ab initio
  - (d) None of these
- (vi) A minor in a firm enjoys the following rights:
  - (a) He may be admitted to the benefits of partnership
  - (b) He cannot have access to and inspect and copy any of the accounts of the firm
  - (c) None of these
- (vii) A fully paid share-warrant of a company limited by shares is to be treated like a:
  - (a) Cheque
  - (b) negotiable instrument
  - (c) Bill of Exchange
  - (d) None of these
- (viii) A private company can be incorporated by:
  - (a) 2 persons
  - (b) 3 persons
  - (c) 7 persons
  - (d) None of these
- (ix) A public company must have at least:
  - (a) 5 persons
  - (b) 7 persons
  - (c) 9 persons
  - (d) None of these
- (x) A private company cannot have more than:
  - (a) 20 members
  - (b) 30 members
  - (c) 50 members
  - (d) None of these
- (xi) Eliason V. Hamshaw (1819) Sup Ct US 4 wheaton 225 deals with:
  - (a) Counter proposed
  - (b) Implied acceptance
  - (c) Manner of acceptance
  - (d) None of these
- (xii) A and B contract to marry each other. Before the time fixed for the marriage A goes mad. In such a case the contract is:
  - (a) Void
  - (b) Voidable
  - (c) Valid
  - (d) None of these

# MERCANTILE LAW

- (xiii) The maxim of Caveat Emptor in a contract of sale means:
  - (a) The seller guarantees the quality or fitness for any particular purpose supplied
  - (b) The buyer himself takes the risk as to the quality and condition of the goods
  - (c) There is an implied condition that the buyer can repudiate the contract at his option
  - (d) None of these
- (xiv) A agrees to sell to B “a hundred tons of oil” –the agreement is:
  - (a) Valid (b) Void (c) Voidable
  - (d) Partially valid (e) None of these
- (xv) An agreement entered into before marriage between a Muslim wife and husband that the wife shall be at liberty to live with her parents after marriage is:
  - (a) Valid (b) Void
  - (c) Voidable at the option of husband (d) None of these
- (xvi) A promises to obtain for B an employment in the Public Service and promises to pay rupees 1000 to A. The agreement is:
  - (a) Valid (b) Void (c) Voidable (d) None of these
- (xvii) A void contract is:
  - (a) An illegal agreement (b) Partly valid agreement
  - (c) Ceased to be a valid agreement (d) None of these
- (xviii) An agreement to pay one hundred rupees to a holy man for prayers for the success of a suit in a court is:
  - (a) Valid (b) Void (c) Voidable
  - (d) Partially Valid (e) None of these
- (xix) A, for natural love and affection, promises to give his son B, Rs.100,000, and puts his promise to B into writing and registers it. Will the contract be:
  - (a) Valid (b) Void (c) Partially Valid (d) None of these
- (xx) A contract B to sell his horse for Rs.500 by 10<sup>th</sup> January 2010. The horse so contracted dies on 8<sup>th</sup> January 2010. The contract is:
  - (a) Valid (b) Void (c) B can sue A for compensation
  - (d) A is liable for damages (e) None of these

## PART – II

<b>NOTE:</b>	<p>(i) <b>PART-II</b> is to be attempted on the separate <b>Answer Book</b>.</p> <p>(ii) Attempt <b>ONLY FOUR</b> questions from <b>PART-II</b>. All questions carry <b>EQUAL</b> marks.</p> <p>(iii) Extra attempt of any question or any part of the attempted question will not be considered.</p>
--------------	---

- Q.2.** What is the difference between Memorandum and Articles of Association of a Company? Is it essential to register the Articles of Association signed by the Subscribers to the Memorandum? What is the alternative if these are not registered? **(20)**
- Q.3.** Loans by a Company Limited by shares, other than a Private Company, on the security of its own shares to a person to enable him to purchase its own shares is strictly prohibited. What are its exceptions? What action can be taken in case of a contravention? **(20)**
- Q.4.** (a) What do you understand by the expression Caveat-emptor? **(10)**  
 (b) Define a “Warranty” and distinguish it from a “Condition” with reference to a contract of the Sale of Goods Act. **(10)**
- Q.5.** Define “Dissolution of a firm”. Explain various modes of the dissolution of a firm. **(20)**
- Q.6.** State the rules for determining partner’s mutual relations. Explain fully. **(20)**
- Q.7.** What are void and voidable Agreements? State fully, quoting law. **(20)**
- Q.8.** Define and explain “Consent” and “Free Consent”. Is it essential for validity of a contract that the consent should be free? What do you mean by “the parties ad idem”? **(20)**

\*\*\*\*\*