

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Autumn 2007



September 03, 2007

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 With respect to enactment of any Act in Pakistan, what is the procedure to be followed by the National Assembly and the President of Pakistan? (06)
- Q.2 (a) What is the difference between an agreement and a contract? (03)
(b) What rights are conferred to the parties under void, voidable and illegal agreements under the Contract Act 1872? (07)
(c) X offered the post of accountant to Y. He allowed Y to discuss the matter with his parents and convey his decision to X by the end of the week. At the end of the week, Y resigned from his present job and went to X to signify his acceptance of the offer but was told that the post has been given to another person. What remedy (if any) is available to Y? (03)
- Q.3 C made an untrue statement to D which induced D to enter into a contract. Explain the rights of D under each of the following circumstances:
(i) If the statement is made recklessly without caring to know whether it was true or false.
(ii) If C has made the statement in good faith. (04)
- Q.4 With reference to the law of contract, explain the terms 'novation' and 'restitution' with the help of a suitable example in each case. (04)
- Q.5 (a) A ordered some DVDs from an online DVD seller. He paid for those DVDs through his credit card. However, mistakenly he gave the delivery address of B. The online store delivered the DVDs at B's address. What is the obligation of B in this case? (03)
(b) A made a coat from the fur of a Bengal tiger which he had hunted when there was no restriction under the law, on such hunting. The law in place currently, restricts such hunting activities. B, a friend of A, saw this coat at A's house and offered to buy it for Rs. 500,000. A agreed to sell it. Later A backed out of his promise. What is the course of action available to B? (03)
- Q.6 Discuss the circumstances under which an agent is personally bound by the contract entered into by him on behalf of his principal. (07)
- Q.7 (a) Partners have implied authority by which they can bind the firm and all the partners. However, the implied authority does not empower them to do certain acts. List all such exceptions. (07)

(2)

- (b) A, B and C were partners in a firm. A died. However, B and C continued the business without settling the accounts of the deceased partner. A's share on the date of his death amounted to Rs. 1.2 million. After two years, the accounts were settled and the amount of Rs. 1.2 million was paid to the legal heirs. The legal heirs have now filed a suit claiming A's share of profit for the two years amounting to Rs. 100,000. B and C deny such share as A had ceased to be a partner, from the date of his death.

Give your views on the above situation, based on the Partnership Act, 1932. **(04)**

- (c) A borrowed Rs. 50,000 from B by giving a promissory note in his individual capacity. He used the proceeds of the note in the partnership business. While A had gone abroad for medical reasons, B sued the partnership as the promissory note became overdue.

With reference to both the Partnership Act, 1932, and Negotiable Instruments Act, 1881, explain whether the firm is liable to pay the amount.

Would it make any difference if A had informed B that the borrowing was being made for the purpose of the firm? **(06)**

- Q.8 (a) Any material alteration to a negotiable instrument renders the same void. What are the exceptions to this rule? **(08)**

- (b) With reference to the Negotiable Instruments Act 1881, describe the manner in which a cheque may be crossed after its issue. **(04)**

- (c) A draws a bill payable on B which is due after three months. It passes through several hands before X becomes its holder. On presentation by X, B refuses to accept the bill. Discuss the rights of X. **(03)**

- Q.9 (a) What are the various situations under which the goods delivered by a seller to a buyer, will be deemed to have been accepted? **(03)**

- (b) What are the consequences in case the buyer refuses to take delivery of the goods under the contract? **(03)**

- (c) What rights are available to the buyer in respect of examination of goods under the Sales of Goods Act, 1930? **(05)**

- (d) Briefly describe the remedy available to the buyer for the breach of warranty by the seller? **(02)**

- Q.10 With reference to the Carriage of Goods by Sea Act 1925, briefly describe:

- (a) Duties of a carrier of goods by sea. **(04)**

- (b) Particulars that a bill of lading should contain. **(05)**

- Q.11 (a) What are the liabilities of a trustee under the Trust Act 1882? **(04)**

- (b) Under what circumstances can a trustee delegate his authority? **(02)**

(THE END)