

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Spring 2009



March 2, 2009

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 Briefly discuss the right of appeal, the basis thereof and the procedure for appeals, in criminal cases. (04)
- Q.2 Identify the circumstances under which a proposal may be revoked under the Contract Act, 1872. (07)
- Q.3 (a) Describe the principles of determining compensation for loss or damages caused due to breach of contract. (04)
- (b) Talib was indebted to Bashir for Rs. 10,000. On Talib's request Bashir agreed to accept Jahangir as his debtor, in place of Talib. Jahangir failed to make payment on due date. Under the provisions of Contract Act, 1872 you are required to explain whether Bashir can now demand payment from Talib. (02)
- Q4. (a) Discuss the rights of the finder of goods under the Contract Act, 1872. (04)
- (b) Shahid pledged gold with Mehreen against a loan of Rs. 100,000 at a markup of 15% per annum. Being concerned with the growing incidences of burglary in the city, Mehreen insured the gold. At the time of repayment, Mehreen claimed the cost of insurance cover in addition to the principal sum due and interest thereon.
- In the light of Contract Act, 1872 briefly explain whether Mehreen is justified in her claim. (02)
- Q.5 (a) What is a contract of Indemnity as defined under the Contract Act, 1872? (02)
- (b) A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or not to sue the principal debtor, discharges the surety. Briefly state the exceptions to this principle. (06)
- Q.6 (a) "A person cannot pass a better title than what he himself has". List the exceptions to this rule, under the Sale of Goods Act, 1930. (04)
- (b) Who is an unpaid seller? Can a seller be deemed to be unpaid if goods are sold on credit? Explain in the light of the Sale of Goods Act, 1930. (03)
- (c) Describe the circumstances as mentioned in the Sale of Goods Act, 1930, under which a seller loses the right of:
- (i) lien
- (ii) stoppage of goods in transit. (04)

- Q.7 (a) When may an agent's authority be revoked by the principal under the Contract Act, 1872? Also narrate the exceptions to the above provision. (05)
- (b) When does the termination of an agent's authority takes effect? Explain. (02)
- (c) Aslam appointed Zakir to recover Rs. 7.0 million from Naveed. Zakir misbehaved with Naveed as a result of which Naveed sued Aslam. Later, Aslam sued Zakir claiming reimbursement of the cost incurred by him in defending the suit filed by Naveed. Explain whether Aslam is justified in his claim. (02)
- Q.8 (a) Qadeer and Javed are partners in a confectionery business. They admitted Hasan, a minor son of their deceased friend, to the benefits of the partnership.
- (i) State the procedure that should be followed by Hasan on attaining majority. (04)
- (ii) What would be the rights and liabilities of Hasan on attaining majority:
- if he decides to become a partner
 - if he decides not to become a partner. (05)
- (b) Qadeer and Javed sold their confectionery business along with goodwill, to Asad Sweets. They also agreed not to carry on similar business for a period of three years. After one year of the sale, Qadeer started a similar business on the ground that agreements in restraint of trade are void. Describe the relevant provisions of Partnership Act, 1932 and explain whether Qadeer is justified in his contention. (03)
- (c) Discuss the restrictions which can be imposed by Asad Sweets in the above situation, under the Partnership Act 1932, if there is no condition in the agreement, preventing Qadeer from carrying on similar business. (04)
- (d) Explain the concept of "Holding out" as described in the Partnership Act, 1932. (04)
- Q.9 (a) List the persons who are required to give notice of dishonour of negotiable instrument. Also list the persons to whom such notice should be given. (04)
- (b) State the circumstances when notice of dishonour of negotiable instrument is not necessary. (06)
- (c) A cheque is drawn payable to 'B or order'. It is stolen and B's endorsement is forged. The banker pays the cheque in due course. Is the banker discharged from liability? Would it make any difference if the drawer's signature were forged? (03)
- Q.10 List the key contents of a bill of lading as described in the Carriage of Goods by Sea Act, 1925. (06)
- Q.11 (a) Narrate the circumstances under which a trust can be revoked under the Trust Act, 1882. (04)
- (b) What are the rights of a beneficiary if the trustee has wrongfully bought the trust property? (03)
- (c) A trustee of ABC Welfare Trust deposited the Trust's funds in XYZ Bank Limited which subsequently became insolvent. Explain whether the beneficiaries can sue the trustee for recovery of the loss. (03)

(THE END)