

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Autumn 2008



September 1, 2008

MERCANTILE LAW Module B

(MARKS 100)
(3 hours)

- Q.1 What do you understand by the term 'civil law'? Give few examples of such laws. (04)
- Q.2 Briefly describe the essential conditions for the acceptance of an offer to be valid, under the Contract Act, 1872. (07)
- Q.3 (a) Asif stole cash and merchandise from the ABC Store. Basit, the owner of store, initiated legal proceedings against him. Asif contacted Basit with an offer to return the stolen cash and merchandise if Basit withdraws the suit. Basit accepted the offer. Is it a valid agreement? Discuss. (02)
- (b) Shahid agreed to buy used printing machinery from Amir who confirmed that the machine was in a good condition. After taking possession, Shahid complained that there were defects in the machine. Amir and Shahid agreed to have it repaired and to share the repair charges equally. Few days after the repairing, the machine again started malfunctioning. Shahid now wants to rescind the contract. Can he do so? Discuss. (04)
- Q.4 (a) Danish owes a sum of Rs. 100,000 to Adil against three different agreements. In March 2008, Danish sent a cheque of Rs. 70,000 and Adil appropriated the amount in the following manner:

| Year of agreement | Amount Rupees | Appropriation by Adil |
|-------------------|----------------|-----------------------|
| 2005 | 20,000 | 20,000 |
| 2006 | 40,000 | 10,000 |
| 2007 | 40,000 | 40,000 |
| Total | 100,000 | 70,000 |

- The loan taken in 2006 has been guaranteed by Feroze who has demanded that Adil must appropriate Rs. 40,000 against the debt guaranteed by him. Explain whether Adil is bound to accept Feroze's point of view. (04)
- (b) Bashir supplies goods worth Rs. 100,000 each month to Anwar under a contract which is due to expire on December 31, 2009. Ameen has guaranteed that he will compensate Bashir in case of default by Anwar.
- On August 29, 2008 the amount due to Bashir is Rs. 325,700. Ameen intends to revoke his guarantee. Can he do so? Discuss. (03)

- Q.5 A agreed to supply machinery to B at a specified date. B informed A that if the delivery is delayed he would not be able to execute a contract with C. It was agreed that A would pay Rs. 500,000 per month as compensation in case of delay beyond the agreed date. The machinery was supplied five months after the agreed date due to which B lost the contract with C, which could have earned him a profit of Rs. 2.0 million. As a result of the delay, B was also compelled to pay Rs. 1.5 million to another party i.e. Sunny Enterprises as compensation for breach of contract. B claimed damages of Rs. 3.5 million from A being the actual loss suffered by him.
- Determine the amount of compensation which A would be required to pay B, giving appropriate reasons under the Contract Act, 1872. **(05)**
- Q.6 (a) Explain the term “pledge”. Identify the circumstances under which a pledge made by a non-owner will be considered valid even if the owner has not authorized him to pledge the goods. **(07)**
- (b) Briefly state the duties of an agent towards his principal. **(05)**
- Q.7 (a) Narrate the rights available to the aggrieved partner who rightfully rescinds the partnership contract due to fraud or misrepresentation by the other partners. **(05)**
- (b) ABC & Company, a partnership firm, has suffered losses and the partners have decided to dissolve the firm. You are required to explain how the accounts shall be settled, in accordance with the Partnership Act, 1932. **(08)**
- (c) Asad, Bilal and Cassim formed a partnership for 10 years. They decided that Bilal and Cassim will actively manage the business and they performed their responsibilities in the best interest of the partnership for 6 years. However, Asad was not satisfied with the arrangement and served a notice of dissolution of the firm which was disregarded by the other partners. Then Asad filed a suit for dissolution on the grounds that his notice for dissolution of the firm was disregarded. Can he succeed in his suit? Explain. **(04)**
- Q.8 (a) Faisal drew a bill on Ghazi for an amount of Rs. 45,000 which was payable to the order of Faisal. Ghazi accepted the bill in consideration of goods supplied to him by Faisal worth Rs. 30,000 and the remaining Rs. 15,000 to accommodate Faisal. On the due date, Ghazi dishonoured the bill. You are required to explain the following:
- (i) If Faisal sues Ghazi, can he succeed in recovering the amount due on the bill?
(ii) What would be the rights of Hamid and Ghazi if Faisal endorses the bill to Hamid for value and on dishonour, Hamid sues Ghazi on the bill? **(06)**
- (b) Explain the term “ambiguous instruments” giving at least two examples. Can such instruments be negotiated? **(04)**
- (c) List the rules for determining the compensation payable in case of dishonour of negotiable instruments. **(06)**
- Q.9 (a) List the implied conditions which are attached to a contract of sale by sample. **(03)**
- (b) Discuss the remedies available to a buyer in case of non-delivery of goods by a seller. **(04)**

(3)

(c) Describe the rules relating to place and time of delivery of goods. **(06)**

(d) Haroon contracted to purchase pineapples from Ismail. It was agreed that Ismail would fill the tins weighing 500 gms each and pack them in cases containing 30 tins each. Ismail's staff had filled 40% of the pineapples in tins in presence of Haroon when a fire broke out accidentally and the entire stock was destroyed. Ismail contends that Haroon should bear 40% of the loss.

Who in your opinion should bear the loss? Discuss with reference to Sale of Goods Act, 1930. **(03)**

Q.10 The goods received by Haseeb Brothers were damaged owing to improper cooling system in the ship owned by Blue Ocean Shipping Company. State the rules relating to claim for loss of goods to be lodged by Haseeb Brothers with Blue Ocean Shipping Company, with reference to Carriage of Goods by Sea Act, 1925. **(05)**

Q.11 What are the essential conditions for creating a valid trust, under the Trust Act, 1882? **(05)**

(THE END)