

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

Foundation Examinations Spring 2008



March 3, 2008

MERCANTILE LAW

(MARKS 100)

Module B

(3 hours)

- Q.1 Briefly describe the kind of cases handled by the Federal Shariat Court and the procedures followed in the discharge of these cases. (07)
- Q.2 Differentiate between an offer and an invitation to offer. Give at least four examples of invitation to offer. (06)
- Q.3 (a) Tariq was seriously ill and needed money for his operation. Murad agreed to lend him Rs. 100,000 at 15% per annum. The rate of interest prevalent in the market was 10% per annum. Later, Tariq refused to pay interest in excess of 10% claiming that he entered into the agreement under undue influence of Murad. Do you agree with Tariq? Explain with appropriate reasons. (05)
- (b) Arif told Bano, his wife, that he would divorce her, if she does not transfer her personal assets to him. She agreed to transfer her assets to him. Can Bano avoid the contract? (03)
- Q.4 (a) Mohsin promised Ahsan that he will pay his university fee. Later Mohsin suffered losses in his business and refused to pay the fee. Mohsin is of the view that since the agreement was without consideration, it does not constitute a valid contract. However, Ahsan believes that the agreement is enforceable under law as it meets certain other conditions.
- You are required to narrate the conditions which Ahsan may be referring to. (04)
- (b) Bushra entered into a contract with Akhtar, the manager of a radio programme, to conduct a show, twice a week, during the next three months. Bushra did not appear for the sixth show. She conducted the next show but soon thereafter Akhtar rescinded the contract and informed her that her services were no longer required as she failed to conduct the sixth show.
- Narrate the rights of Akhtar and Bushra in the above situation. (05)
- Q.5 (a) A borrowed Rs. 300,000 jointly from B, C and D. When the debt became due, A paid the full amount to B. Explain whether A's debt has been discharged. (03)
- (b) Explain the term 'right of subrogation' in the context of a contract of guarantee. (03)
- Q.6 Certain agreements have expressly been declared to be void under the Contract Act, 1872. List such agreements alongwith exceptions, if any. (08)
- Q.7 (a) A, B and C, partners of a firm, admitted D, a minor to the benefits of the firm. D attained majority on 6th March 2007. He became aware of the fact that he has been admitted to the benefits of the firm on 16th August 2007. Being undecided about the situation he preferred to wait for sometime before announcing his decision about joining the firm. On 27th February 2008, the firm suffered heavy losses due

- to an unforeseen event. A, B and C informed D that on account of such losses, his capital in the firm has been reduced by 40%. Discuss the rights and liabilities of D in the above situation. **(06)**
- (b) A firm in which A, B and C were partners, placed an order with D for supplying certain goods on credit. Before D could supply the goods C died. D supplied the goods after C's death, being totally ignorant about the fact. A and B subsequently became insolvent. Can D make C's estate liable for his debt? Explain. **(03)**
- (c) List the circumstances in which a partnership firm is compulsorily dissolved? **(05)**
- Q.8 (a) Ahmed draws a bill of exchange in favour of Bilal, a minor or to his order. Bilal endorsed the bill in favour of Dawood, an agent of Fareed, against appropriate consideration. Dawood endorsed the same in favour of Ghalib. Answer the following giving appropriate reasons:
- (i) Can Ahmed refuse to pay the bill on the plea that it was issued in favour of Bilal who being a minor was not competent to contract? **(06)**
- (ii) If Ahmed fails to pay the bill on presentation, can Ghalib claim the amount from Dawood? **(03)**
- (iii) Can Ghalib claim the amount from Bilal if the amount received by Bilal as consideration for the bill is still available with Bilal? **(03)**
- (b) What is meant by instrument transferred on escrow? Does such transfer affect the rights of holder in due course? **(04)**
- (c) A bill was drawn payable to 'Ahmed or order'. It was lost subsequently. Basheer who found the bill forged Ahmed's signature and endorsed it to Chawla who took it for value and in good faith.
- (i) Is Chawla a 'holder in due course'? Discuss. **(04)**
- (ii) Would your answer be the same, if the bill was bearer? Discuss. **(04)**
- Q.9 (a) What are the rights available to an unpaid seller under the following circumstances:
- (i) When the property in goods has passed to the buyer. **(06)**
- (ii) When the property in goods has not passed to the buyer. **(06)**
- (b) The property in specific or ascertained goods is transferred to the buyer at such time as the parties intend. Narrate the rules that have been specified under the Sale of Goods Act, 1930 to determine the transfer of property in goods, if the intentions of the parties cannot be judged from the contract of sale. **(08)**
- (c) Y, a wheat stockist, had a large godown where he kept all his wheat. He sold 100 kgs of wheat to G and received an advance payment of 40%. On the same day, before the goods could be set aside for G, the entire godown caught fire and everything was destroyed. Who would bear the loss of 100 kgs of wheat sold to G and why? **(03)**
- Q.10 Sameer Enterprises shipped a cargo containing explosive material on a ship owned by Mehran Shipping Company. Explain the rights and liabilities of each party in the following situations:
- (a) If the goods were shipped without the knowledge of the shipping company. **(05)**
- (b) If all the relevant details were provided to the shipping company. **(05)**
- Q.11 State the circumstances in which a beneficiary of a trust may become liable for breach of trust. What are the rights of other beneficiaries in such circumstances? **(07)**