



**THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF  
PAKSITAN (ICPAP)**

Stage	<b>Essentials</b>	Course Code	<b>E-301</b>
Examination	<b>Summer-2011</b>	Course Name	<b>Mercantile Law</b>
Time Allowed	<b>03 Hours</b>	Maximum Marks	<b>100</b>

**NOTES:**

1. All questions are to be attempted.
2. Answers are expected to be precise, to the point and well written.
3. Neatness and style will be taken into account in marking the papers.

**Question No 1**

(a) What is an agreement? When is an agreement considered to be void? State the circumstances under which the object of an agreement is considered to be unlawful.

(b) Talat supplied computers to Bilal on credit. He agreed not to sue Bilal for a year at the request of Rafiq who agreed to indemnify Talat. Bilal failed to make payment. Talat initiated legal proceedings for the recovery of the amount against Rafiq and Bilal. Rafiq pleaded that Talat was not entitled to sue before the year expires.

In the light of the provisions of Contract Act, 1872, state whether Rafiq is justified in his contention. Also state if there are any exceptions to the general rule.

(c) Sohail and Afaq lent Rs. 2.0 million to Mohsin, Laila and Faizan jointly. On due date Laila became insolvent. Without informing Sohail, Afaq wants Mohsin to repay the full amount to him.

Under the provisions of Contract Act, 1872 explain:

- (i) Whether Mohsin can be compelled to pay the full amount to Afaq.
- (ii) What rights are available to Mohsin, if he repays the full amount?

(d) What constitutes fraud under the provisions of Contract Act, 1872? (5X4)

**Question No 2**

(a) Explain the following as described under the Contract Act, 1872.

- (i) Agent's authority in an emergency
- (ii) Agent's right of retainer
- (iii) Agent's right of lien

(b) Rais is employed by Sami, who has authorized Rais to purchase a generator from Atif who is the apparent owner of the generator. Previously Rais was employed by Atif and was aware that the generator actually belonged to Atif's brother. Sami is ignorant of the fact. Rais purchased the generator and Sami adjusted the price of the generator against the debt owed by Atif.

Under the provisions of Contract Act, 1872 explain whether Sami can adjust the debt, as described above.

(c) In the light of the Contract Act, 1872 explain the term "Novation". Also narrate the difference between novation and alteration.

(d) Identify the situations in which the consent is said to be free. List the various modes in which a contract may be discharged under the provisions of Contract Act, 1872. (5X4)

### Question No 3

(a) Describe the provisions of Sale of Goods Act, 1930 related to the following:

- (i) Delivery of wrong quantity of goods. 6
- (ii) Implied conditions in a contract for sale by sample. 6

(b) Sonia wanted to buy some exotic bridal jewellery from Farhan's shop for her wedding. Farhan sent three sets of exclusive jewellery to Sonia for selection. He asked her to return the set(s) to the shop within few days, in case, if she doesn't like them. Under the provisions of Sale of Goods Act, 1930 discuss when Farhan would be justified to record the sale of jewelry. 8

### Question No 4

(a) Rafiq, Bari and Furqan have decided to establish a partnership business for trading in medical equipments. In the absence of any express contract, advise them of their mutual rights and liabilities under the provisions of the Partnership Act, 1932. 6

(b) Sameer, Fauzia and Sualat are partners in a firm. Fauzia transferred her interest in the firm absolutely to her son Adil. In the light of the provisions of Partnership Act, 1932 would Adil be considered a new partner in the firm? Also describe the rights and restrictions on Adil in view of such transfer. 8

(c) Danish, a practicing lawyer, admitted Basit into partnership by persuading him that his practice earns Rs. 20.0 million annually. Later however, it was revealed that the firm is earning not more than Rs. 8.0 million per annum.

Under the provisions of Partnership Act, 1932 describe the rights available to Basit under the circumstances. 6

## Question No 5

(a) In the light of Negotiable Instruments Act, 1881 explain the provisions relating to the enforceability of inchoate stamped instruments. Also discuss the extent to which the person signing the instrument is liable upon such instrument. 5

(b) Zahid draws a bill of exchange on Bader which is payable three months after sight. The bill passes several hands before Zohair becomes its holder but he lost it before it was overdue. 5

Explain the provisions of Negotiable Instruments Act, 1881 in respect of issuance of a duplicate bill, in the above situation.

(c) Describe the following terms contained in Carriage of Goods by Sea Act, 1925:

(i) Carrier      (ii) Goods      (iii) Carriage of goods 5

(d) Under the provisions of Carriage of Goods by Sea Act, 1925 when would the removal of goods be prima facie evidence of the delivery by the carrier of the goods as described in the bill of lading? 5

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