

FEDERAL PUBLIC SERVICE COMMISSION

COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS  
IN PBS-17, UNDER THE FEDERAL GOVERNMENT, 2002

MERCANTILE LAW

TIME ALLOWED: THREE HOURS      MAXIMUM MARKS: 100

**NOTE:**

1. Attempt **FIVE** questions in all, including **QUESTION NO. 8**, which is **COMPULSORY**. All questions carry **EQUAL** marks.

2. In each of the following cases give your decision and state the legal principle that applies. Your answer must correctly identify the relevant areas of law, accurately discover and apply the appropriate principles, case-law and statute law, and should be well structured and argued. Please refrain from: (1)-Reproducing the facts of the cases; (2)-Unnecessary and irrelevant details; (3)-Unreadable handwriting.

1. Jamal Khan and Kamal Khan have planned to start a business of groceries in partnership. They have agreed that in case of any future dispute between them they will never go to a court of law for decision instead they will do their utmost to get their disputes settled by some means outside the court. What do you think how can they seek their purpose? How would you advise them?
2. Gama, Maja and Billoo were in partnership as hairdressers. On 8 April, 2002, Billoo retired from the partnership. A few days later, Gama and Maja bought, in the firm's name an expensive laser hairdressing machine to replace their traditional machines. On 17 April, a van arrived with a delivery of seven hairdressing chairs. The van driver showed them a purchase order in the firm's name, dated 3 April and signed by Billoo. Gama and Maja are refusing to pay for the chairs. They have also failed to pay for the laser hairdressing machine and the firm is in severe financial difficulties. Both suppliers are threatening. Are they bound to pay for both of the transactions? Discuss.
3. Jamal steals a bill of exchange and forges the signature of the payee on the reverse of the bill. He then transfers it for value to Bilal who takes it in good faith without being aware of the forgery. Bilal transfers the bill to Kamal. The payee discovers that Kamal is in possession of the bill and he demands that Kamal return it to him. Who is legally entitled to the bill and why? Would it make any difference to your answer if the payee had been aware that Jamal had taken the bill but had done nothing about it until he heard that Kamal was in possession of it?
4. Dilawar Khan and Badam Gul are in partnership running an extremely successful computer software business. Sanobar Khan has decided to join the business and is able to invest a substantial amount of capital. They have decided that the business should be incorporated as a private limited company. Dilawar Khan, Badam Gul and Sanobar Khan will each hold one third of the shares and they will be the directors of the company. Please advise them on the advantages of a limited company as compared with a partnership:
  - A. With regard to obtaining finance for further business expansion;
  - B. With regard to the liability of shareholders in the event of the winding up of the company.
5. The National Association of Potato Exporters (NAPE) requires additional storage space. It advertises for tenders to erect new storage facilities. It receives eight tenders and the Board decides to accept the tender of Imam Bakhsh & Co. The Chief Executive, Mr. Shehbaz Chatha is required to accept this offer and to notify the others that they were unsuccessful. Mr. Chatha asked his secretary to type up

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- the letters. A mistake is made in the typing and the name of another tenderer, Badam Gul & Co. is replaced for Imam Bakhsh & Co. The letter is signed and delivered to Badam Gul & Co. The next day when the M.D of Badam Gul & Co phoned Mr. Chatha to discuss some details of the work to be done Mr. Chatha realized that there had been a mistake. Is there a binding contract between NAPE and Badam Gul & Co?
6. On 1 September Baber contracted for the purchase of 50 computers from Sardar. The contract stated that the computers were to be delivered on 5 September. Despite the fact that Baber persistently pressed Sardar for delivery, the computers had still not been delivered by the end of the month while Sardar had repeatedly assured Baber that the computers would be delivered by the First of October at the latest. Baber then told Sardar that if the computers were not delivered by the 5 October, the contract would be terminated. Sardar did not attempt to deliver until 10 October. Having bought other computers on the 6 October, Baber refused to take delivery. Was he justified in refusing the delivery? Discuss.
7. Mr. Brown agreed to sell his computer of a specified mark and model to Mr. Green for Rs. 30,000/-. When Mr. Green went to him to pay him the price and pick up the computer he found that Brown had already sold such computer to someone else. He threaten to sue Brown for the Breach of Contract but later on the same day he bought a computer of the same mark, model and specification for a Rs. 20,000/-. Should he sue Brown for the Breach of Contract? Is there any benefit for him in bringing such action against Brown?

### COMPULSORY QUESTION

8. In each of the following clauses of this question only one statement is correct. Write down in your answer book only the correct statement of the following clauses. DO NOT WRITE THE WHOLE CLAUSE.
- (1). Portage Ltd wishes to alter its memorandum to state that all of the company's shareholders must hold a minimum of 200 shares. Can Brian, who currently owns 100 shares, be bound by this alteration?
- Yes, if the alteration is done by special resolution.
  - Yes, if the alteration is done by ordinary resolution.
  - Yes, but only if he gives his written consent.
  - None of these.
- (2). Gama offers to sell his Car to Maja for Rs. 550,000/-, Maja accepts the offer but states that he would buy it for Rs.500, 000/-. The statement of Maja is:
- A conditional acceptance;
  - A counter offer;
  - Rejection to the offer.
  - None of these.
- (3). Kala Khan agreed to supply onion to Sodagar Khan six months after the date of contract and Kala Khan agreed to pay for such supply. Two months after the conclusion of the contract Kala Khan refused to supply. In such case which of the following facts is correct?
- Sodagar Khan cannot sue Kala Khan until the expiry of six months after the date of the contract;
  - Sodagar Khan cannot sue Kala Khan because he has not yet paid him for the onions;
  - Sodagar Khan can validly sue Kala Khan any time after he refused to supply onions.
  - None of these.

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Sharafat Hussain offered to sell his *langa* to Sadaqat Hussain for Rs. 35,000/- but Sadaqat Hussain did not answer and nearby standing Kiramat Hussain accepted the offer. Kiramat Hussain's answer to the offer is:

- A. A conditional acceptance;
  - B. A counter offer;
  - C. An offer.
  - D. None of these.
- (5). The appointment of a person of the minor age as an agent is:
- A. Void;
  - B. Valid;
  - C. Voidable.
  - D. None of these.
- (6). Third party Insurance is an insurance for:
- A. Motor vehicles' accidents;
  - B. Injuries in war time;
  - C. None of these.
- (7). A bill of exchange involves:
- A. One party;
  - B. Three Parties;
  - C. More than three parties.
  - D. None of these.
- (8). A bearer instrument may be negotiated by:
- A. Mere delivery;
  - B. Endorsement and delivery;
  - C. Delivery with a separate written contract.
  - D. None of these.
- (9). An order instrument may be negotiated by:
- A. Mere delivery;
  - B. Endorsement and delivery;
  - C. Delivery with a separate written contract.
  - D. None of these.
- (10). A partnership business is unlawful if the number of partners in it is:
- A. More than seven;
  - B. More than ten;
  - C. More than twenty.
  - D. None of these.
- (11). The relation between the partners of a firm is of:
- A. Employer and Employee;
  - B. Trustee and Beneficiary;
  - C. Principal and Agent.
  - D. None of these.
- (12). An unregistered contract of partnership is:
- A. Valid;
  - B. Void;
  - C. Unenforceable.
  - D. None of these.
- (13). A decision made by arbitrators is called:
- A. Sentence;
  - B. Award;
  - C. Judgement.
  - D. None of these.

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(14). An umpire in an arbitration reference is appointed when the number of arbitrators is:

- A. Odd;
- B. Even;
- C. None of these.

(15). The minimum number of members in a Private Limited Company is:

- A. Seven;
- B. Two;
- C. Fifty.
- D. None of these.

(16). A Public Limited Company must have:

- A. Ten directors;
- B. Seven directors;
- C. Two directors.
- D. None of these.

(17). Which of the following rights a company cannot have:

- A. Right to own immovable property;
- B. Right to vote in the general elections of the state;
- C. Right to sue in its own name.
- D. None of these.

(18). The minimum age for a person who concludes a contract of sale of goods is:

- A. Twenty years;
- B. Sixteen year;
- C. Eighteen years
- D. None of these.

(19). It is essential for the validity of a contract of sale of goods that the price must be paid:

- A. In advance;
- B. Three days after the delivery;
- C. None of these.

(20). If the delivery of goods under a contract of sale of goods is late:

- A. The buyer is not bound to accept the delivery;
- B. The buyer is bound to accept the delivery;
- C. None of these.