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**FEDERAL PUBLIC SERVICE COMMISSION**  
**COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS**  
**IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2004**

**MERCANTILE LAW**

**TIME ALLOWED: THREE HOURS**

**MAXIMUM MARKS: 100**

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

1. A firm of building contractors had contracted to build 50 houses in 10 months. The work took 20 months to complete because of the lack of skilled labour. The contractors pleaded that the contract price was not binding on them, and that they were entitled to a greater sum on the basis of a quantum meruit in view of the extra labour costs involved because the contract had been frustrated. What are your Comments?"
2. Mr. Zulfiqar was offered the post of Professor of Law at X University on the condition that he would get his practicing licence cancelled to cease law practice. Mr. Zulfiqar did not agree to cease to practise. On this the University authorities refused to employ him in the post. Can Mr. Zulfiqar succeed in the suit brought by him against the University for getting the job? Explain.
3. A company had power under its 'Memorandum'—"to sell or lend all kinds of railway plant and to carry on the business of mechanical engineers and contractors". Its directors agreed to build a dam to produce hydal power in country T and this agreement was ratified by the company. Develop your answer keeping in view the legal importance of the object clause in a memorandum of a company.
4. A, the holder of a bill transfers it to B, without consideration. B also transfers it to C without consideration. C transfers to D for value. D transfers it to E without consideration. Discuss the rights of E against A, B, C and D.
5. Write a detailed note on the different modes of dissolution of a firm.
6. Discuss the law regarding appointment of Umpire. Can the court remove the umpire and under what circumstances?
7. Is the insurer liable in the following cases?
  - (a) A takes a policy on his life and later commits suicide.
  - (b) A takes a policy on his wife's life and divorces her. She dies.

**COMPULSORY QUESTION**

8. Write only the correct answer in the Answer Book. Do not reproduce the question.
  - (1) A person on attaining age of majority:
    - (a) Can ratify an agreement made by him during his minority
    - (b) Cannot ratify an agreement made by him during his minority
    - (c) None of these.
  - (2) A person who has attained the age of 18 while under guardian:
    - (a) is competent to contract
    - (b) is not competent to contract
    - (c) None of these
  - (3) A person who is usually of unsound mind:
    - (a) can make a contract during the interval when he is of sound mind
    - (b) Cannot make a contract during the interval when he is of sound mind
    - (c) None of these
  - (4) When a contract is substituted with a new contract:
    - (a) The original contract must be performed
    - (b) The original contract need not be performed
    - (c) None of these
  - (5) For a breach of contract:
    - (a) the plaintiff can recover compensation if the subject matter of the contract was easily available in the market
    - (b) The plaintiff can recover compensation if the subject matter of the contract was not easily available in the market.
    - (c) None of these

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- (6) The supplier of necessities:
  - (a) Can recover the price personally from the minor
  - (b) Can recover the price from the property of the minor
  - (c) None of these
- (7) A contract by which one party promises to save the other from loss caused to him by the conduct of the promiser himself, or by the conduct of any other person:
  - (a) Is called a contract of guaranty
  - (b) Is called a contract of indemnity
  - (c) None of these
- (8) Surety is a person:
  - (a) who promises to perform or discharge the liability of a third person in case of his default
  - (b) who promises to perform or discharge the liability of a creditor in a contract of guaranty
  - (c) None of these
- (9) If the bailee's lawful charges are not paid, he may retain the goods:
  - (a) this is known as charge
  - (b) this is known as pledge
  - (c) None of these
- (10) A person who works under the control of another:
  - (a) Is known as an agent
  - (b) Is known as contractor
  - (c) None of these
- (11) A promises to pay Rs.1000 to B and takes a promissory note from him for that amount, but pays only Rs. 500 to B:
  - (a) A will recover Rs.1000 on promissory note
  - (b) A will recover Rs. 500 on the promissory note
  - (c) None of these
- (12) A bill of exchange is addressed to B. It is accepted by (i) B as a partner of a firm in the firm's name, (ii) it is accepted by B and C:
  - (a) The acceptance, by B as a partner of a firm in the firm's name is correct.
  - (b) The acceptance, by B & C, is correct
  - (c) None of these
- (13) A buys a nylon pant from a store and starts wearing it. A contracts skin disease:
  - (a) A can recover damages from the proprietor of the store
  - (b) A can recover damages from the proprietor of the store as well as the manufacture
  - (c) None of these
- (14) A, B & C are partners in a business. An order for certain goods is placed with D. Before the goods are delivered, C dies. D had no notice of the death of C:
  - (a) The estate of C is liable
  - (b) A & B are jointly as well as severally liable
  - (c) None of these
- (15) When a firm is put to an end as between all the parties:
  - (a) it is called winding up
  - (b) it is called dissolution
  - (c) None of these
- (16) A partner may be expelled from a firm if there is agreement to that effect:
  - (a) By majority of the partners
  - (b) By all the partners
  - (c) None of these
- (17) Differences between the arbitrators are:
  - (a) decided by the Court
  - (b) decided by an Umpire
  - (c) None of these
- (18) A authorizes B to buy 50 sheep for him. B buys the whole lot of 44 sheep and 15 lambs for one sum of Rs. 30000:
  - (a) A can repudiate the whole transaction
  - (b) A must accept the whole transaction
  - (c) None of these
- (19) A public limited company must have:
  - (a) Ten directors
  - (b) Two directors
  - (c) None of these
- (20) An agreement based on bilateral mistake:
  - (a) is void
  - (b) is voidable
  - (c) None of these

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