

FEDERAL PUBLIC SERVICE COMMISSION
COMPETITIVE EXAMINATION FOR RECRUITMENT TO POSTS
IN BPS-17, UNDER THE FEDERAL GOVERNMENT, 2005

MERCANTILE LAW

TIME ALLOWED: THREE HOURS

MAXIMUM MARKS: 100

NOTE: Answer FIVE questions in all, including Question No.8 which is **COMPULSORY**. All questions carry **EQUAL** marks. In each of the following cases give your decision and explain in detail the legal principle that applies on the case. Your answer must correctly identify the relevant areas of law, accurately discover and apply the appropriate provision thereof as well as the relevant case law. Your answer must also be well structured and well argued. Refrain from: (1)- Reproducing the facts of the cases; (2)- Unnecessary and irrelevant details; (3)- Unreadable handwriting.

1. Tariq works for a book publisher, taking orders for books and delivering books to bookshops throughout North West Frontier Province. The customers pay for the books by sending payment direct to the publisher and Tariq has no authority to accept any payments. However, Hamid, the owner of the City Book Mart, has given payment for books to Tariq on a number of occasions and the publisher has not objected. A few weeks ago Hamid bought large quantity of books and gave Tariq cash. Tariq has disappeared with the money. The publisher is threatening to sue Hamid for the price of the books. Advise Hamid.
2. Javed, Murad and Danish carry on business in partnership as painters and decorators. The business was started with a loan from Javed's father Bashir, which the partners are still re-paying. The firm has two employees, Raheel and Mubashir, who, although not partners, are treated as trusted members of the firm and have their names alongside those of the partners on all of the firm's stationery. Recently the firm has had some difficulties. Javed was working at a customer's house using a blow-lamp to strip paint from the window frames, when he accidentally set fire to the wood and the house was badly damaged. Meanwhile, Murad was holding a ladder for Danish but accidentally let it slip, so that Danish fell and was injured. It has also come to light that Danish had taken money from a customer in order to buy paint and wallpaper, but instead he kept the money for himself. The two customers and Danish are threatening to sue the firm, the partners, Raheel, Mubashir and Bashir for the loss and injury they have suffered. Advise the parties as to their potential liability.
3. Sardar, the owner of a small computer shop, bought a consignment of computers from Shahbaz. The computers turned out to be defective and did not conform to the specification that Sardar had been led to expect. Sardar had assumed he was dealing directly with Shahbaz, who had not indicated that anyone else was involved in the transaction. However, when Sardar confronted Shahbaz about the defects in the computers, Shahbaz told Sardar that he had been selling the machines on behalf of Chips & Bytes (Private) Limited and added that any defects were not his responsibility as he was only an agent. Sardar has made inquiries and discovered that Chips & Bytes (Private) Limited have now gone into liquidation. Advise Sardar.
4. A and B agreed to run a tuition centre on the partnership basis. In one of the clauses of their contract they agreed that they will settle their disputes by way of arbitration instead of adjudication. In a dispute which was being settled by two arbitrators appointed by them, A noticed that his arbitrator appointed is unjustifiably favouring B. A doubts that his arbitrator might have been bribed by B, therefore, he does not expect any justice from him. How can he get rid of his arbitrator? What would you advise him in these circumstances?
5. Hightech (Private) Limited manufactures and sells computer modems. Goonline (Private) Limited is an internet service provider that requires a large and complex modem to serve its customers. Due to high demand, Goonline (Private) Limited is planning to expand its customer base from 10,000 subscribers to 15,000 subscribers. 10,000 of the subscribers can be handled by the existing modems that Goonline (Private) Limited already has. However, in order to accommodate the additional 5,000 subscribers, Goonline (Private) Limited contracts with Hightech (Private) Limited to purchase 5 additional modems at a cost of Rs. 2,000 each. The contract specifies a delivery date of 1 March. Goonline (Private) Limited spends Rs.1,000 in advertising during the month of February announcing the planned service, and is confident that it will be able to sign up an additional 1,000 subscribers in the month of March after installation of the new modems. On 1 February, Hightech (Private) Limited calls and repudiates stating that it is unable to meet the 1 March delivery due to a backlog of orders, but would be able to deliver by 1 April. Goonline (Private) Limited chooses to wait for the delivery by 1 April. After the modems are delivered and installed, Goonline (Private) Limited brings an action for the lost revenues from an anticipated 1,000 subscribers over the month of March (Rs. 20,000), the cost of advertising during the month of February (Rs.1,000), and the cost of advertising during the month of March (Rs.1,000). Which, if any, of these costs is recoverable?

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6. Hassan Seeds (Private) Limited is a supplier of Soya Beans seeds. Fahad contracted with Hassan Seeds (Private) Limited for the delivery of one ton of Soya Bean seeds, for delivery at Fahad's plant. After delivery, Fahad began the process of inspecting the Soya Beans seeds for quality. The inspection testing procedure is involved, and usually takes several weeks to complete because it involves growing at least some of the seeds. After one month, Fahad noticed several defects in the seedlings that were growing. Fahad immediately notified Hassan Seeds (Private) Limited of the defects, and rejected the entire lot. Hassan Seeds (Private) Limited comes to you for advice concerning a possible action for breach against Fahad. Specifically, Hassan asks you whether Fahad has accepted the seeds, or properly rejected the seeds. How do you advise Hassan Seeds (Private) Limited?
7. Tanweer, who owns a shop selling electrical goods, received an offer from Lowprice Electrical Wholesalers to sell him 50 washing machines at a discount price of Rs.700 each. The following morning, Tanweer posted a letter to Lowprice Electrical Wholesalers accepting their offer, unaware that, at the same time, Lowprice Electrical Wholesalers had sent him a letter withdrawing the offer. Lowprice Electrical Wholesalers is now refusing to deliver the washing machines. Tanweer also received a letter from Salam's Discount Warehouse, offering to supply him with 20 freezers at Rs.1200 each. The letter stated that Salam's would assume their offer had been accepted if they did not hear to the contrary from Tanweer within 5 days. Tanweer, who did not want the freezers, ignored the letter but Salam's Discount Warehouse have now delivered the freezers to his shop.

Advise Tanweer of his legal position in respect of both Lowprice Electrical Wholesalers and Salam's Discount Warehouse.

COMPULSORY QUESTION

8. Write the correct answer in the Answer Book. Do not reproduce the question.
- (1) Talal is forming a business which he wants to control completely. He knows nobody else with whom he wishes to work, he values his privacy, and he dislikes formality, paper work, state filing requirements, and lawyers. What type of business organization should he prefer?
- (a) general partnership (b) Sole Proprietorship
(c) Single Member Company (d) None of these
- (2) The Articles of Association of a company contain:
- (a) a set of governing rules adopted by the company
(b) resolutions of the board of directors
(c) information about the corporation, including its organization and functions
(d) None of these
- (3) A partnership involves three essential elements. Which of the following is not one of those elements?
- (a) An equal right in the management of the business
(b) Limited liability for the liabilities of the firm
(c) A joint ownership of the business (d) None of these
- (4) Rashid, Shahid, and Talal agree to form a computer business. Rashid agrees to manage the business and to assume full personal liability. Shahid and Talal agree to invest in the firm but to be liable only to that extent. These three have formed
- (a) a limited liability company (b) a limited liability partnership
(c) an unlimited partnership (d) None of these
- (5) The members of a limited partnership include:
- (a) general and limited partners (b) general partners only
(c) creditors (d) None of these
- (6) A bearer cheque may be negotiated by:
- (a) Mere delivery (b) Endorsement and delivery
(c) Delivery with a separate written contract (d) None of these
- (7) The responsibility for overall management of a company belongs to:
- (a) the chief financial officer (b) the employees
(c) the board of directors (d) None of these
- (8) The best definition of a quorum is which of the following?
- (a) It is 51% of all shareholders
(b) It is the number of members of a company that must be present before business may be transacted
(c) It is the number of voters who must agree to alter the company's articles
(d) None of these

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- (9) When a partnership is found liable for a debt, which assets are first used to pay the debt?
- (a) Individual assets of the partners (b) Personal property of the limited partners
(c) Partnership assets (d) None of these
- (10) The board of directors does not have responsibility over which of the following areas?
- (a) The appointment, supervision, and removal of corporate officers
(b) The appointment, supervision, and removal of employees generally
(c) The declaration and payment of corporate dividends (d) None of these
- (11) A found a wallet full of money on a roadside and upon finding the address of the owner in the wallet he returned it to its owner. When he came back he read the announcement of a reward for the return of such wallet in the newspaper:
- (a) The owner is liable to pay him the reward
(b) The owner is not liable to pay him the reward
(c) The owner is liable to pay him half of the reward (d) None of these
- (12) Muhsin is considering forms of business organization for his law firm. One advantage of the limited liability partnership form is that it allows the limited partners to avoid personal liability for:
- (a) the malpractice of other limited partners regarding the conduct of the firm's business
(b) the obligation of the firm beyond their contributions to the capital
(c) the obligations of the firm within the limit their contributions to the capital
(d) None of these
- (13) A's son has forged B's name to a promote. B under threat of prosecuting A's son demanded that A should sell him his house that is worth Rs. 1000,000/- for 300,000/-. A agrees with the proposal. The contract is
- (a) Valid (b) Voidable
(c) Void (d) None of these
- (14) The best, simple definition of a contract is:
- (a) an objective "meeting of the minds" (b) a legally enforceable agreement
(c) a document reflecting a "meeting of the minds" between two or more competent parties
(d) None of these
- (15) Salman signs a written contract with Khalid giving him the right to cast his votes in the election for the directors of Hashiya Limited, whose shares Salman holds. This agreement between Salman and Khalid is known as:
- (a) a derivative agreement (b) a proxy
(c) a Memorandum of Understanding (d) None of these
- (16) A sent a proposal to B by post for the sale of his house. B accepted the offer by post. A may revoke his proposal at any time before
- (a) B receives the letter of proposal (b) B posts the letter of acceptance
(c) A receives the letter of acceptance (d) None of these
- (17) Danish offers to sell to Sadiq a mobile phone for Rs.550. Sadiq tells Danish that he will take the phone for Rs.450. Nothing further is said and the next day, Danish demands Rs.450 from Sadiq in exchange for the phone. Choose the correct statement
- (a) Sadiq is bound to pay as his offer has been accepted by Danish.
(b) Although there is no contract Sadiq;
(c) Sadiq is not bound to pay as there is no contract; (d) None of these
- (18) If you want to start a partnership what formal requirements do you have to meet?
- (a) You must register the firm with the Registrar of Firms;
(b) You do not need to satisfy any formal requirements;
(c) Your firm cannot operate until you draft and get registered the Articles of Partnership;
(d) None of these
- (19) 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
- (20) 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
