

Business and Labor Law (MGT711)

Question Wrapper (Sample Questions)

**Question 1:**

- (a) Cite an example that describes the importance of learning law for a General Manager.
- (b) Differentiate between 'jurisprudence' and 'law' briefly.

5 Marks

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**Question 2:**

Mr. Saeed is running a shop of new watches. He is also studying I.Com. as a private student under the supervision of a teacher. One day his teacher comes on to his shop and selects an expensive beautiful watch. But he insists to buy watch at a very less price than the market price of that watch. Mr. Saeed, however, will never sell that watch at the stated price to any customer but due to the respect of his teacher, allows him to buy at a price stated by his teacher. His teacher buys the watch and leaves the shop.

**Required:**

Whether "Undue Influence" has been exercised in this case or not? Discuss on the basis of three conditions that should appear in a scenario to deem presence of "Undue Influence" in it.

5 Marks

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**Question 3:**

Describe whether a person of Un-sound mind can enter into a contract? Can a drunken person be regarded as a person of unsound mind and make a contract in that condition? Explain who is liable for the burden of proof under such cases.

5 Marks

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**Question 4:**

- (a) When is a contract said to be discharged by performance? Explain by illustrating a suitable example.
- (b) A Pakistani exporter enters into a contract with an importer in European country for supply of Wheat at agreed price. The Pakistani government, before its performance,

imposes ban on the export of Wheat. Briefly explain what is the status of the contract in this case?

5 Marks

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**Question 5:**

In case of breach of contract by one party, the other party may sue for damages of different types. You are required to discuss the nature of Liquidated damages. Also provide a suitable example to clear the concept of Liquidated Damages.

5 Marks

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Answers of the above Questions

**Solution of Question 1:**

- (a) A General Manager has to provide directions to accounts department for taxation purposes, to HR department for labor duties and rights and to Purchase department and Sales department for making contracts with other parties. Knowledge of law is very much necessary to perform these functions.
- (b)
- Ⓐ The law consists of rules that regulate the conduct of individuals, businesses, and other organizations within society”.
  - Ⓑ “Jurisprudence means the knowledge of law, or knowledge of just and unjust. It deals with laws that are enforceable by the courts”.
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**Solution of Question 2:**

- Ⓐ Yes “undue influence” has been exercised by the teacher
  - Ⓑ First condition is position of dominance—teacher is in a dominant and influential position
  - Ⓒ Second condition is fiduciary relationship—a relation of trust and confidence exists between teacher and his student
  - Ⓓ Thirdly influence has been used to enter into agreement to avail undue benefit
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**Solution of Question 3:**

A person of unsound mind cannot enter into a contract  
A person who is usually of sound mind but occasionally of unsound mind can make contract when of sound mind  
A person who is temporarily of unsound due to any reason cannot make a contract during such period. So a drunk man is of unsound mind at that time and cannot make a contract  
The burden of proof that a person was mentally incapable of contracting lies on the party who wants to cancel the contract  
Once it is proved that a person is insane, the burden of proof that he was sane at the time of contract lies on the other party

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**Solution of Question 4:**

- (a)

When each party to a contract fulfills the obligations arising under the contract according to terms and conditions, it is called actual performance and contract comes to an end or discharged

A agrees to sell his watch to B for Rs.800. A delivers the watch and B makes the payment.

(b)

The contract becomes void when this embargo is imposed.  
Because of impossibility of performance.

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**Solution of Question 5:**

If parties to a contract have mentioned the amount of damages for the breach at the time of entering into contract, such damages shall be recoverable and these will be called as liquidated damages.

Liquidated damages also signifies a fair and reasonable estimate of loss such a party may suffer due to breach of contract.

If the actual loss is more than the agreed amount, damages will be payable only to agreed amount

- For example X contracts to pay Rs.7000 as damages to Y if he fails to supply certain goods on a specific date. If he fails to supply, Y can recover damages not exceeding Rs.7000.

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