**LEARNING LEAGUE**

Practice Examination Series — CAF 4

# Business Law Dynamics

## Chapter 2 — Test

*Offer, Acceptance and Revocation*

**LEARNING LEAGUE**

Prepared by
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Total marks: **30**
Time allowed: **1 hour**

**Instructions to examinees:**

(i) Attempt all questions.
(ii) Select the most appropriate answer for each Multiple-Choice Question. Where a question asks for **TWO** answers, select two options.
(iii) Answer the short questions according to their requirements.
(iv) Read the case study carefully before attempting the requirements.
(v) Support written answers with appropriate legal reasoning and application.

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|---|---|---|
| Section A — Multiple-Choice Questions | Q.1 | 08 marks |
| Section B — Short Questions | Q.2 – Q.3 | 12 marks |
| Section C — Long / Case-Study Question | Q.4 | 10 marks |
| **Total** | | **30 marks** |

Student name: _____ Roll No.: _____ Date: _____

## SECTION A — MULTIPLE-CHOICE QUESTIONS (08 MARKS)

### QUESTION 1

Select the most appropriate answer from the options provided for each of the following Multiple-Choice Questions.

**(i)** Which **TWO** of the following statements regarding communication under the Contract Act, 1872 are correct?

(a) The communication of a revocation is complete as against the person to whom it is made when it is put in a course of transmission to him
(b) The communication of an acceptance is complete as against the acceptor when it comes to the knowledge of the proposer
(c) The communication of a proposal is complete when the proposer dispatches it to the other party
(d) The communication of a revocation is complete as against the person making it when it is put in a course of transmission so as to be out of his power **(01 mark)**

**(ii)** Consider the following statements:

(I) An offer which has been rejected by the offeree may still be accepted by him if the time allowed for its acceptance has not expired.

(II) A person who performs the act required by a proposal, without being aware of the proposal, does not thereby accept it.

Under the Contract Act, 1872, which of the following is correct?

(a) Only statement (I) is correct
(b) Only statement (II) is correct
(c) Both statements are correct
(d) Both statements are incorrect **(01 mark)**

**(iii)** In a WhatsApp group of textile designers, Hina wrote on 4 May 2026: "I am thinking of selling my embroidery machine sometime next month, probably for around Rs. 300,000." Within minutes, Rimsha, a member of the group, replied: "I accept. I will transfer Rs. 300,000 today." On 10 May 2026, Hina sold the machine to another designer.

Under the Contract Act, 1872, can Rimsha hold Hina liable?

(a) No, because Hina's message was only a declaration of intention and was not certain and definite
(b) Yes, because Rimsha's acceptance was communicated before Hina revoked her message
(c) Yes, because an offer made to a group may be accepted by any member of that group
(d) No, because an offer made in writing cannot be accepted by a message on the same platform **(01 mark)**

**(iv)** Under the Contract Act, 1872, in which of the following situations has a binding contract been formed?

(a) Waqas offered to sell his photocopier to Danial for Rs. 250,000. Danial replied, "I accept, provided you include a year's supply of toner free of cost." Waqas did not respond
(b) Zubair Enterprises published a notice inviting quotations for the supply of stationery. Smart Stationers submitted the lowest quotation, but Zubair Enterprises placed its order with another supplier
(c) On 1 May 2026, Kiran offered to buy Noman's tractor for Rs. 1.2 million, asking for a reply within a week. On 3 May 2026, Noman asked Kiran whether she could pay in two instalments, and Kiran said she could not. On 5 May 2026, Noman accepted Kiran's offer in writing
(d) Owais offered to sell his boat to Sami for Rs. 900,000. Sami replied, "Not interested at that price." The next day, Sami wrote to Owais, "I have reconsidered and accept your offer of Rs. 900,000" **(1.5 marks)**

**(v)** On 2 June 2026, Sobia handed over a bridal dress worth Rs. 60,000 to Cleanex Dry Cleaners (CDC) for cleaning and received a token. On the back of the token, in very small print, was the statement: "CDC's liability for any lost garment is limited to Rs. 500." Nothing at the counter drew Sobia's attention to this statement, and she did not read it. The dress was lost by CDC.

Under the Contract Act, 1872, can CDC limit its liability to Rs. 500?

(a) Yes, because by accepting the token Sobia became bound by every term printed on it

(b) Yes, because the term was communicated in writing as part of the arrangement

(c) No, because a term limiting liability can never form part of a contract

(d) No, because special terms must be specifically brought to the notice of the other party **(1.5 marks)**

**(vi)** On 3 August 2026, Aqua Pumps (AP) emailed Green Fields Farms (GFF) an offer to sell 40 solar water pumps at Rs. 210,000 each, stating that the offer would remain open until 15 August 2026. On 6 August 2026, GFF replied: "We accept at Rs. 200,000 per pump." On 9 August 2026, AP replied: "We do not accept your proposal." On 10 August 2026, GFF emailed AP: "We accept your offer of 3 August 2026 at Rs. 210,000 per pump," and transferred an advance of Rs. 840,000 to AP's bank account. AP retained the advance without comment. On 20 August 2026, AP sold the pumps to another buyer, contending that no contract existed with GFF.

Under the Contract Act, 1872, which of the following is correct?

(a) A contract was formed on 10 August 2026, because GFF accepted AP's original offer within the time prescribed for its acceptance

(b) A contract was formed when AP retained the advance sent with GFF's fresh proposal of 10 August 2026, because accepting the consideration offered with a proposal is an acceptance of it

(c) No contract was formed, because AP never communicated its acceptance of GFF's proposal of 10 August 2026 in words

(d) A contract was formed on 6 August 2026, because GFF's reply accepted AP's offer subject only to negotiation of the price **(02 marks)**

## SECTION B — SHORT QUESTIONS (12 MARKS)

**QUESTION 2** **(06 marks)**

Lilac Events (LE) is an event-management business in Karachi owned by Sadaf. The following independent situations have arisen:

(a) Grand Marina Hotel (GMH) has used LE's décor services for three years. GMH's banquet manager usually sends LE a WhatsApp message with the event date and theme, and LE sets up the décor at its standard rates. On 14 March 2026, GMH's manager sent such a message for a corporate dinner. LE set up the décor, and GMH used it for the dinner, but GMH has refused to pay, contending that it never signed or confirmed any contract with LE. **(02)**
Under the Contract Act, 1872, discuss whether LE can recover its charges from GMH.

(b) On 2 April 2026, Sadaf told Ayesha, a bride-to-be: "LE will arrange your wedding, and we will settle a fair price later depending on how things go." Ayesha agreed. A week later, LE informed Ayesha that it was fully booked and could not arrange her wedding. Ayesha claims that LE is bound by its offer. **(02)**
Under the Contract Act, 1872, evaluate Ayesha's claim.

(c) LE's printed brochure states: "Premium wedding package — Rs. 1.5 million." On 20 April 2026, Farah filled in LE's booking form for the premium package for 12 December 2026 and attached a cheque for Rs. 1.5 million. LE returned the cheque, stating that it had already committed its team to another event on that date. Farah contends that LE is bound to provide the package at the brochure price. **(02)**
Under the Contract Act, 1872, evaluate Farah's contention.

**QUESTION 3** **(06 marks)**

Tangerine Textiles (TT) is a yarn manufacturer in Faisalabad. The following independent situations have arisen:

(a) On 4 May 2026, TT offered by email to sell 20 tonnes of cotton yarn to Cotton Crafts (CC) at Rs. 900,000 per tonne. On 6 May 2026, CC replied by email: "We accept your offer, subject to approval by our board of directors at its meeting on 15 May 2026." On 10 May 2026, TT sold the yarn to another buyer. On 15 May 2026, CC's board approved the purchase, and CC now claims that TT is in breach of contract. **(03)**
Under the Contract Act, 1872, evaluate CC's claim.

(b) On 18 June 2026, TT's sales head posted a letter to Weave World (WW) offering to sell 10 tonnes of polyester yarn at Rs. 750,000 per tonne. On the same day, without knowing of TT's letter, WW's purchase manager posted a letter to TT offering to buy 10 tonnes of polyester yarn at Rs. 750,000 per tonne. The two letters crossed in the post and were received on 20 June 2026. Neither party communicated anything further. WW now claims that a contract was formed on identical terms. **(03)**
Under the Contract Act, 1872, discuss whether a binding contract exists between TT and WW.

## SECTION C — LONG / CASE-STUDY QUESTION (10 MARKS)

**QUESTION 4** **(10 marks)**

Cobalt Electronics (CE) is a sole proprietorship in Lahore, owned by Farrukh, that assembles and sells LED televisions. The following matters require your advice under the Contract Act, 1872:

***LED chips from Neon Components***

On 1 March 2026, Neon Components (NC), based in Karachi, offered by email to sell 50,000 LED chips to CE at Rs. 95 per chip. On 4 March 2026, CE dispatched its letter of unconditional acceptance to NC by courier, which reached NC at 11:00 a.m. on 6 March 2026. At 2:00 p.m. on 5 March 2026, after finding a cheaper supplier, CE emailed NC withdrawing its acceptance. NC's sales manager read the email at 4:00 p.m. on 5 March 2026. NC contends that a binding contract was formed on 4 March 2026, when CE dispatched its acceptance, and that CE could not withdraw it afterwards.

***Order from Nawaz Electronics***

On 1 April 2026, Mr. Nawaz, the sole proprietor of Nawaz Electronics, offered by letter to buy 200 televisions from CE at Rs. 85,000 each. Mr. Nawaz died on 5 April 2026. On 6 April 2026, Farrukh read a condolence message about Mr. Nawaz's death in a WhatsApp group of electronics traders. On 7 April 2026, CE dispatched its letter of acceptance, contending that it had never received any formal notice of Mr. Nawaz's death. Mr. Nawaz's son, who now runs the business, refuses to take delivery.

***Tender for lithium batteries***

On 10 May 2026, CE published a notice inviting sealed bids for the supply of 1,000 lithium batteries. The notice stated: "CE does not bind itself to accept the lowest or any bid." Three bids were received. On 25 May 2026, CE emailed Ampere Co (AC), the second-lowest bidder: "We accept your bid, subject to a further discount of 5%." AC declined to give the discount. CE now contends that AC is bound to supply the batteries at the price in its bid. Meanwhile, Volt Power (VP), the lowest bidder, contends that CE was bound to accept VP's bid, being the lowest.

**Required:**

(a) Evaluate NC's contention and conclude whether a binding contract exists between NC and CE. **(03)**

(b) Advise CE whether it can hold Mr. Nawaz's son bound to take delivery of the televisions. **(03)**

(c) Evaluate the contentions of VP and CE regarding the tender for lithium batteries. **(04)**

**(THE END)**