



# University of Kelaniya – Sri Lanka

## External Examinations Branch

Bachelor of Commerce (Special) Degree First Examination (External)- 2010  
December 2011/ January 2012

Faculty of Commerce and Management

BCOM E 1054 – Business Law

No. of questions: Eight (08)

Time: 03 hours

Answer five (05) questions only.

- (01) a) I. Define an Offer. (04 marks)
- II. Explain with decided cases the methods of termination of an offer. (16 marks)
- (Total 20 marks)
- (02) (a) "All contracts are agreements, but all agreements are not contracts". Discuss the validity of this statement with suitable illustrations. (10 marks)
- (b) Ajith offered his land to Senaka at Rs. 500,000/=. Senaka replied accepting the offer and enclosed a cheque for Rs. 100,000/= with a promise to pay the balance by monthly installments of Rs. 50,000/= each. Explain whether a contract was concluded between Ajith and Senaka. (10 marks)
- (Total 20 marks)
- (03) (a) Sonali enters into a contract with Pavana TV Service Ltd to perform as an announcer in a famous TV commercial programme. According to the contract she must appear on TV every night except on Sunday. Suddenly she became ill and doctors advised her to restrict her performance only to three days per week. Now the TV service refuses to accept her services. Sonali asks for your advise on this matter. Advise her (08 marks)
- (b) Explain the rules with regard to payment of damages. Support your answer with suitable examples.

(04) "By introducing exemption clause, the seller may try to exclude entirely or limit his liability for failure to perform a contract as promised"

Discuss with decided cases the rules to be followed by the sellers when they include this exemption clause in the contract.

(20 marks)

(05) a) "A sale of goods contract is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a money consideration called price." Explain this statement with suitable illustrations.

(10 marks)

b) Dinesh gave a valuable dress to Anusha for her birthday. After wearing this new dress Anusha got a skin disease.

Dinesh had bought this dress from Star Fashions (PVT) Ltd. And the purchasing manager of the company, Reginrold has bought a number of dresses including the one bought by Dinesh, from Nelum Garment Ltd after examining a number of samples. The doctor has found that this skin disease was due to hidden defect in the textile used to tailor the dress. Give instructions to Dinesh and Star Fashions regarding their rights and remedies with reference to sale of goods law.

(10 marks)

(Total 20 marks)

(06) a) Amal, Bimal and Kamal carried on business as partners. Amal was engaged by the firm to obtain information through legitimate means about business contracts etc of its competitors. Amal bribed a clerk in a rival firm to obtain confidential information concerning the business. The bribe was given out of the firm's money and the resulting profits went into firm's assets. Now the rival firm wishes to sue Kamal.

Consider whether or not Kamal and Bimal are liable for the actions of their co-partner, Amal by using relevant case law.

(10 marks)

b) Explain how a partnership can exercise its power to expel a partner from the partnership.

(10 marks)

(07) (a) What is agency by ratification? State the pre-conditions that must be fulfilled in order to establish valid ratification.

(06 marks)

(b) (i) What do you mean by the rule "delegates non-potest delegare"?

(03 marks)

(ii) What are the exceptions to this rule ?

(03 marks)

(c) Sunimal appointed Nimal as his agent to sell 5000 Kg of fruits. Sunimal entrusted the fruits to Nimal and he stored them at his warehouse until he found a buyer. After 3 days, Nimal noticed that the fruits were beginning to go rotten and they were likely to contaminate other goods in his warehouse. Therefore he sold the stock of fruits at a very low price to Vimal. Advise Sunimal as to his legal rights.

(08 marks)

(Total 20 marks)

(08) (a) What are the main characteristics of a bill of exchange.

(06 marks)

(b) What are main differences between a bill of exchange and a cheque.

(04 marks)

(c) Amal is the payee of a bearer bill. Amal misplaces the bill in his office. It is picked up by Perera. Perera delivers it to Kasun, who takes it in good faith and for valuable consideration. Discuss the rights of Kasun as the current holder of the bill.

(04 marks)

(d) What are the main differences between a cheque crossed as "Not Negotiable" and a cheque crossed as "Account Payee Only".

(06 marks)

(Total 20 marks)