



University of Kelaniya - Sri Lanka
Centre for Open and Distance Learning
Bachelor of Business Management (General) Degree
First Examination (External) – 2007
BMGT E 1045 – Business Law



No. of Questions : Eight (08)

Time: 03 hours

Answer five (05) Questions only.

- (01) (a) “The acceptance of an offer to be effective must fulfill certain conditions.” Explain this statement enumerating those conditions.
(08 Marks)
- (b) Amal offers to sell his photocopying machine to Dinesh for Rs. 15,000. Dinesh agrees to pay Rs.14,000 for it. Then, Amal refuses to sell at this price. Dinesh subsequently, agrees to pay Rs.15,000/- But, then Amal refuses to sell it at Rs.15,000/-. Then also, Amal refuses to sell the machine. Now Dinesh intends to take legal action against Amal for breach of contract. Advise Dinesh.
(06 Marks)
- (c) A teacher promises to grant a reward of Rs. 5000/- to any of the students of his class who secures 70% or more marks for the paper taught by him. Aruna secures 75% of marks for that question paper. Can Aruna compel the teacher to pay him Rs.5000/-
(06 Marks)
- (02) (a) State whether the following statements are “true” or “false”
- A contract with a minor for his benefit cannot be enforced.
 - A minor can recover the price of his goods sold on credit to a major person.
 - A minor can recover the price of his goods sold on credit to a major person.
 - A contract made by a person with unsound mind is void.
 - A married woman cannot enter in to a valid contract.
- (05 Marks)
- (b) X entered a jeweller’s shop and selected some jewellery. He gave a cheque in the name of Y, a man of repute in the city. The jeweller accepted the cheque and allowed X to take the jewellery. X mortgaged the jewels with Z who had no knowledge of the fraud. Can the jeweller recover the jewellery from Z?
Would your answer be different if Z had a knowledge about the fraud?
(09 Marks)

- (c) Differentiate between “anticipatory breach” and “repudiatory breach” of contract by giving suitable examples.
What are the consequences of anticipatory breach of contract?
(06 Marks)
- (03) (a) John tells Kapila in the presence and within the hearing of Prasad that (John) is Prasad’s agent in Prasad’s business, and Prasad does not contradict the statement. Subsequently, Kapila enters in to a transaction with John, genuinely believing that John is Prasad’s agent. Is Prasad liable under that transaction even though John is in fact not Prasad’s agent?
(06 Marks)
- (b) “Since an agent himself is a delegate of his principal, he can not further delegate his power to somebody else”. However, under certain circumstances a sub-agent may be appointed by an agent. Explain with suitable examples the various circumstances in which a sub-agent is being appointed by an agent.
(08 Marks)
- (c) Explain how agency relationship is terminated by acts of the parties? Explain with suitable examples.
(06 Marks)
- (04) (a) Answer with reasons whether the followings are “contracts of sale”.
- (i) X agrees to sell his refrigerator to Y for a VCD player
- (ii) X promises to make a set of dentures for Y. All the material required for this were found by X. Y promises to pay for them when it is made.
- (iii) P purchases certain furniture from R. The contract provides that P has no option to terminate the contract under any circumstances and R can take the furniture back if any installment is not paid.
- (iv) B sends certain books to C on “sale or return” basis.
(08 Marks)
- (b) Discuss the provisions of Sale of Goods Ordinance relating to implied conditions in a contract of ‘sale by sample’
(06 Marks)
- (c) Perera agrees to sell 100 bags of sugar to Silva, out of the stock of 1000 bags lying in his warehouse. The total price fixed for all the bags was Rs.20,000 taking in to account the price per bag as Rs.2000/-. Before the delivery of sugar, there was a fire in the warehouse destroying completely the stock. Can Silva compel Perera to supply the sugar as per the agreement?
(06 Marks)

- (05) (a) Define the term “negotiable instrument” Explain the characteristics of a negotiable instrument?
- (b) State whether the following statements are true or false. Give reasons for your answer.
- (i) Crossed cheques may be directly presented for payment at the drawer bank’s counter
- (ii) “Not negotiable” crossing renders the cheque untransferable
- (06 Marks)
- (c) Bernad promised to grant a reward of Rs.10,000/- to his nephew, Kalum, if he is to pass his degree with a class. Kalum passed the degree with a class and, Bernard handed him a cheque for Rs.10,000 drawn in his favour. As Kalum had just become engaged to Sherine, he endorsed the cheque and gave it to her as a present. Sherine used the cheque to pay for purchases she made at Fashion House Ltd., When Bernard heard that the cheque had been passed to Sherine, whom he disliked, he stopped payment of cash. Discuss the liability of parties.
- (06 Marks)
- (d) Explain the following with illustrations.
- (i) Special endorsement
- (ii) Conditional endorsement
- (iii) Restrictive endorsement.
- (06 Marks)
- (06) (a) Sunil, Nimal and Piyal carried on a business joining together as partners. Nimal was engaged by the firm to obtain information about business contracts of its competitors through legitimate means Nimal bribed a clerk in a rival firm to obtain confidential information. The bribe was given out of the firms money and the resulting profits went into firm’s assets. Now the rival firm wishes to sue piyal . Consider whether or not Piyal and Sunil are liable for the action of their Co-Partner Nimal.
- (06 Marks)
- (b) Explain the nature of the duty of a partner not to complete with the firm and the remedies available to other partners if a partner is in breach of this duty.
- (04 Marks)
- (c) What do you understand by “insurable interest”?
- (06 Marks)
- (d) Distinguish between contract of insurance and wagering contract.
- (04 Marks)
- (07) (a) State four differences between Criminal law and Civil law.
- (05 Marks)
- (b) Name three branches of Civil Law.
- (03 Marks)

- (c) Explain two cases decided by the Supreme Court of Sri Lanka pertaining to the acceptance of a custom as a valid custom. (04 Marks)
- (d) Discuss briefly the jurisdiction and powers of the Court of Appeal of the Republic of Sri Lanka. (08 Marks)
- (08) (a) What is an "Industrial dispute"? Explain with decided cases. (06 Marks)
- (b) The Industrial Dispute Act No.43 of 1950 was amended in 1999 to ensure that employers recognize trade unions and to make certain labour practices followed by employers as being unfair
- (i) What do you mean by "recognition of trade unions?"
- (ii) What are the different kind of labour practices named by the amended Act as being unfair? (04 Marks)
- (c) State the main differences between Employees Trust Fund and Employees' Provident Fund. (10 Marks)