



**University of Kelaniya - Sri Lanka**  
Centre for Open and Distance Learning



**Faculty of Commerce and Management Studies**

Bachelor of Business Management (General) Degree

Year I Examination (External) – 2008

**BMGT E 1045/ BMGT 13045 – Business Law**

No of questions – 08

Time: 03 Hours

Answer five (5) questions only

- (01) (a) State whether the following offers are valid. Explain your answer with reasons.
- (i) A garment store published the following advertisement in a newspaper. "Special sale for tomorrow only, children garment reduced from Rs. 250 to Rs. 100."
  - (ii) Anura offers to buy from Ranura "hundred tons of oil"
  - (iii) Kumari says to Nelum "I wish to sell you a camera". Kumari owns 03 different types of cameras of various prices.
  - (iv) Saman an auctioneer displays a refrigerator with other goods in his auction shop.
  - (v) Deepal advertises in "Sunday Times" newspaper stating that he would pay Rs. 5,000 to any one who finds and returns his lost dog.
- (10 marks)
- (b) Name three principles of law of contract relating to the decision of the decided case : Carlill v. Carbolic Smoke Ball Company (1893) CA.
- (03 marks)
- (c) Amal who was in Sri Lanka made an offer to David who was in England to sell a stock of tea by a fax message. David accepted the offer also by sending a fax message. But unfortunately Amal was unable to send the stock of tea as agreed. Now David wishes to take legal action against Amal. In order to take legal action the court wants to identify the country where the contract was established. By referring to decided cases, you are required to identify in which country the contract was established.
- (07 marks)
- (02) (a) Nimal wished to purchase a horse for stud purposes. He visited John's stables and while he was inspecting a horse, called "Shiney" John said, "you need not look for anything, the horse is perfectly sound. If there was anything that matters with the horse. I would tell you." Without any further inspection, Nimal bought the horse, The horse was unfit for stud purposes because of a hereditary eye disease Discuss what are the legal remedies available for Nimal?
- (08 marks)
- (b) Explain the rules with regard to payment of damages. Support your answer with decided cases.
- (12 marks)

- (03) (a) What are the differences between a condition and a warranty of a contract.  
(04 marks)
- (b) Charley bought poultry feed from John a poultry food seller. When the feed was used it killed Charley's young birds. However, it was found later that the feed was fit for older birds and other animals as well. Now Charley wants to take legal action against John on the grounds that feed did not fit for the purpose of the buyer and also not in merchantable quality. Advise Charley regarding this matter.  
(08 marks)
- (c) State the legal provisions relating to the passing of property in case of.  
(i) Sale of unascertained goods.  
(ii) Sale on approval or sale on return.  
(08 marks)
- (04) (a) Explain the effect of the following contracts made by an agent with a third party when agent acts for;  
(i) Disclosing the name of the principal  
(ii) Disclosing the existence of the principal  
(iii) Undisclosed the existence of the principal  
(12 marks)
- (b) Explain the duties of an agent towards his principal referring to decided cases.  
(08 marks)
- (05) (a) Explain the meaning and effect of the phrase "A/C payee" and "Not Negotiable" which often appear on crossed cheques.  
(04 marks)
- (b) Who is a holder, holder for value and holder in due course according to the Bills of Exchange Ordinance?  
(09 marks)
- (c) Anil ordered some goods from Bernard and then issued Bernard a cheque crossed "Not Negotiable" for Rs. 10,000/- as an advance payment. Bernard was unable to send the goods, therefore Anil stopped payment of the cheque. In the mean time, Bernard endorsed the cheque in favour of Aruna. When Aruna presented it for payment the bank refused.  
  
Explain the liabilities of Anil and advise Aruna of the course of action he should take.  
(07 marks)
- (06) (a) What do you mean by "Insurance interest". Explain with suitable illustrations?  
(04 marks)
- (b) Tuck and Tick were partners and Tick was also employed to buy sugar for the firm. Tick without Tuck's knowledge sold sugar of his own to the firm at higher price than the market price and made a considerable profit.  
  
Explain the duties of partners in terms of disclosure and consider Tick's liability in this situation.  
(08 marks)

- (c) In what circumstances may the dissolution of a partnership be effected without reference to the courts?  
(08 marks)
- (07) (a) What is an "industrial dispute"? Explain with decided cases.  
(05 marks)
- (b) Discuss briefly the powers and duties of a labour tribunal  
(05 marks)
- (c) Discuss the nature of obligations of the employer on payment of gratuity to employees in terms of the Payment of Gratuity Act No 12 of 1983.  
(10 marks)
- (08) (a) What are the special limitations affecting the registration of trade unions of State employees?  
(06 marks)
- (b) Explain the provisions imposed by the Wages Boards Ordinance of No 17 of 1941 in respect of payment of wages and maintaining records.  
(06 marks)
- (c) Discuss the special circumstances under which a female employee before reaching the age of 50 years and a male employee before reaching the age of 55 years could draw the employees' provident fund benefits in terms of the Employees' Provident Fund Act No 55 of 1958.  
(08 marks)