



UNIVERSITY OF KELANIYA – SRI LANKA
Faculty of Commerce & Management Studies
Bachelor of Business Management (General) Degree
Year I Examination (External) – 2010

BMGT E 1045 – Business Law

No of Questions : 07

Time : 03 hours

You are required to answer four questions by selecting question no one and another 3 questions.

- (01) (a) Answers for question No. 01 should be provided on the question paper itself and it should be attached to the answer booklet containing answers for Part II.

Please underline the correct answer for each question stated below.

- I) Which of the following statement is untrue
- a). An agreement enforceable by law is a contract.
 - b). Every agreement is a contract.
 - c). Every contract is an agreement.
 - d). Agreement without legal intention is not a contract.
- II) Which of the following is not a legal requirement of a valid acceptance?
- a). It must be communicated
 - b). It must be absolute and unconditional.
 - c). It must be presumed from silence if not communicated within specified time.
 - d). It must be accepted by a person who has the authority to accept.
- III) Absolute refusal of the promisor to perform the contract prior to the due date of performance is known as
- a). Abandonment of contract.
 - b). Repudiatory breach of contract.
 - c). Anticipatory breach of contract
 - d). Frustration of contract.
- IV) Sometimes , a party is entitled to claim compensation in proportion to the work done by him. It is possible by a suit for
- a). Damages
 - b). Injunction.
 - c). Quantum merit
 - d). Specific performance.

- V) The law governing the payment of damages is based on the leading English case of
- a. Hadely v. Baxandale
 - b. Badely v. Sullivian
 - c. Hobbs v. London Railway Co.
 - d. Charter v. Sullivian
- VI) Which of the following is not an essential element of a valid agency?
- a. Principal must be competent to contract.
 - b. Agent must be competent to contract.
 - c. Agent must act in representative capacity.
 - d. There must be expressed or implied agency.
- VII) In the case of unascertained goods, the ownership is transferred to the buyer when the goods are
- a. Ascertained
 - b. Appropriated to the contract.
 - c. Weighted and measured
 - d. Both (a) and (b)
- VIII) Which of the following is not a right of a partner?
- a. Right to take part in business
 - b. Right to have access to accounts books
 - c. Right to share profit.
 - d. Right to receive remuneration
- IX) In legal terms, a person who receives a negotiable instrument in good faith and for valuable consideration is known as
- a. Holder.
 - b. holder for value.
 - c. Holder in due course
 - d. Drawee
- X) Which of the following is an illegal trade union action
- a. Work to rule
 - b. Picketing
 - c. Strikes
 - d. Lock-out

(2 marks x 10)

- (b) State whether the following statements are "correct" or "incorrect"
- I. Implied contract even if not in writing or express words is perfectly valid if other conditions are fulfilled.
 - II. Insufficiency of consideration is immaterial , but an agreement without consideration is void.
 - III. In case of misrepresentation , aggrieved party can either rescind or affirm the contract.
 - IV. The agent is merely a connecting link between his principal and third party and does not incur any personal liability.
 - V. A contract of sale of goods is always subject to certain implied conditions, but they can be treated as warranties.
 - VI. An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled.
 - VII. A minor can not draw , endorse or negotiate a negotiable instrument.
 - VIII. It is the duty of every partner to share in equal proportions the losses suffered by the firm.
 - IX. A bill of exchange is dishonoured due to non-acceptance by the drawee.
 - X. Articles of Association is an agreement between the company and its share holders

(2 marks x 10)

- 2) a) (i) Define an offer
(ii) Explain with decided cases the methods of termination of an offer.

(12 marks)

- b) Alfa Company wrote to Beeta Company on 15th November 2011 offering to sell a vehicle for one million rupees. The letter included the following statement. "Your acceptance of this offer must be received in writing by the general manager by 31st December, 2011".

Beta company decided to accept the offer and posted its acceptance on 26th December 2011. In addition, the general manger of Beta Company calling Alfa Company over the phone informed that he wanted to speak to its general manger. But he was out of the office, so a message was left with his secretary confirming Beta Company's acceptance of the offer.

Beta Company came to know that General manager, Alfa Company; did not receive the letter of acceptance and that the secretary too forgot to inform him of the telephone call. Consequently the vehicle has been sold to Gamma Ltd .

Explain whether Alfa Company may be held liable for breach of contract.

(08 marks)

- 3) a) Samantha bought a computer from the Computer World (pvt) Ltd . At the time of purchasing the computer Samantha stated very clearly to the sales boy of the company that for her work, she required a computer with minimum capacity of 4GB. But later on Samantha realized that the actual capacity of the computer was only 1GB. Samantha wants to take legal action against the company on the grounds that computer does not fit for the purpose of purchase and it is not compatible with the required merchantable quality.

Advise Samantha regarding the above matter.

(08 marks)

- b) state the rules regarding transfer of property in the following situations.

- (i) Where goods are specific.
- (ii) Where goods are unascertained
- (iii) Where goods are sent on sale or return

(12 marks)

- 4) a) What is agency by ratification? Name the requisites of a valid ratification.

(10 marks)

- b) Explain the effects of the following contracts made by an agent with a third party.

- (i) When the agent does not disclose the existence of principal.
- (ii) When the agent discloses the existence of a principal without mentioning the name.
- (iii) When the agent discloses the existence and name of the principal.

(10 marks)

- 5) a) Amal , Bimal and Kalum were the partners of a business. Amal was engaged by the partnership firm to obtain information on business contracts of its competitors through legitimate means. Amal bribed a clerk in a rival firm to obtain confidential information concerning the business. The moneys utilized for the payment of bribe was refunded to Amal by the partnership firm and the profits resulted out of the information so received were credited to its assets. Now the rival firm wishes to institute/ action against Kelum. Consider whether or not Kelum and Bimal are liable for the actions of their co-partner , Amal by using relevant case law.

(12 marks)

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

(08 marks)

- 6) a) "It has been laid down in recent decisions that "controls over the manner of performance of the work" cannot be applied the sole criterion as for determining whether a contract is a contract of service or a contract of furnishing service." Discuss.

(10 marks)

- b) Name and explain with suitable examples the various types of employment contracts in Sri Lanka

(10 marks)

- 7) a) (i) Explain the term "Trade union"
(ii) What are the main objectives of a trade union.
(iii) Discuss the rights and obligations of a trade union.

(08 marks)

- b) Mr. Nimal Perera who served at Araliya (Pvt.) Ltd as a Store Keeper explaining details of his problem as follows seeks your advice, on the payment of quality made to him by the company on termination of his service.

I was in service of the said company as a store keeper until 31st August 2011. The total period of my service is 12 years and 301 days. I was paid a monthly salary of Rs. 30,000 in August 2011. But I was under interdiction from 1st September 2010 until 31st August 2011. And during that time I was paid half of my salary of Rs. 15,000 but no allowances were paid. Prior to the interdiction in addition to my salary of Rs. 3000/=, I was paid a traveling allowance of Rs. 4000, entertainment allowance of Rs. 2000, cost of living allowance of Rs. 3000 and another Rs. 2000 as meals allowance.

For the payment of gratuity only my monthly salary of Rs. 30,000 had been taken into account.

- (i) Advise Mr. Nimal
(ii) Calculate the exact amount of gratuity payable to Mr. Nimal.
(iii) What is the legal remedy available for Mr. Nimal regarding the above matter?

(12 marks)