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SCHOOL OF ACCOUNTING AND BUSINESS
BSc. (APPLIED ACCOUNTING) GENERAL / SPECIAL DEGREE
PROGRAMME

YEAR I SEMESTER II (Intake IV- Group B)
END SEMESTER EXAMINATION – DECEMBER 2015

LAW 10125 Commercial Law

Date : 19th December 2015
Time : 9.00 a.m. - 11.30 a.m.
Duration : Two and Half (02 ½) hours

Instructions to Candidates:

- This paper consists of three parts. (A, B and C)
- Part A – Answer **ALL** questions in the separate sheet provided.
Part B – Answer **ALL** questions.
Part C – Answer **ALL** question
- The total marks for the paper is 100.
- The marks for each question are shown in brackets.
- Answers should be written neatly and legibly.

PART A

Answer **ALL** questions.

Question No. 01

1. A contract that is binding on one party but gives the other party the option to set it aside is known as which of the following?
 - a. Void contract.
 - b. An unenforceable contract.
 - c. Voidable contract.
 - d. Unilateral contract.

2. Githa gave police information about a jewel thief on Monday. On Tuesday she learns that the owner has offered a reward of Rs.20,000 for giving information on the thief. Is the owner contractually obliged to pay Githa the reward?
 - a. No, because a party cannot accept an offer of which he has no knowledge.
 - b. Yes there is a unilateral contract.
 - c. Yes there is a bilateral contract.
 - d. No, a person is never contractually obliged to pay reward.

3. Which one of the following statements is incorrect?
 - a. An agency relationship may be created through necessity.
 - b. An agency relationship may be created through estoppel.
 - c. All agents are entitled to be paid for their services.
 - d. An agent creates a legal relationship between a third party and a principal.

4. Con appoints George, to act as his agent for two weeks. George agrees to act without getting payment. Con instructs George to collect rent in each Friday morning from his tenants and pay the rent into the bank next door. In the second week, George collects the rent but fails to bank it. On the way home he leaves it on the bus and it is never recovered. Can Con take action against George for breach of his agency duties?
 - a. No, Con has provided no consideration and therefore there is no agency agreement.
 - b. No, George is a gratuitous agent and has no duty to follow instructions.

- c. Yes, even though George is a gratuitous agent if he does act he must do so in accordance with instructions set out by the principal.
 - d. Yes, provided he pays George for being an agent.
5. Sale of Goods Act implied various terms into contracts for the sale of goods but what type of goods are NOT included under the Act?
- a. Cars
 - b. Crops which are to be severed from land before sale.
 - c. Land
 - d. Clothing advertised in catalogues
6. Which of the following is NOT a type of alternative dispute resolution?
- a. Arbitration.
 - b. Court proceedings.
 - c. Conciliation.
 - d. Mediation.
7. Of the following, what is NOT an example for a Negotiable Instrument?
- a. Cheque
 - b. Fix deposit certificate
 - c. Bank draft
 - d. Bill of exchange
8. Which of the following is CORRECT?
- a. Mediation board in Sri Lanka settles disputes below Rs.250,000
 - b. Insurance ombudsman can settle disputes regarding insurance, tax and finance
 - c. Arbitration clause is a result of an agreement
 - d. Debt Conciliation Board is a formal Court established under the Judicature Act.

9. “ICTA” stands for:
- a. Informatics and Construction Technology Agency
 - b. Information and Communication Technology Agency
 - c. Industrial and Communication Technology Agency
 - d. Industrial and Creative-works Technology Agency
10. What is the “Internet country code top-level domain” (TLD) of Sri Lanka?
- a. .slk
 - b. .lk
 - c. .sr
 - d. .sl

(Total 20 Marks)

PART B

Answer **ALL** questions.

Question No. 02

- a. What are the different types of crossing on a cheque ?
- (02 Marks)
- b. Explain the legal effect of not negotiable crossing.
- (03 Marks)
- c. X asked his clerk to prepare a cheque for a particular amount. Clerk wrote the amount as Rs.10,000 in figures but not in letters. After X signed the cheque, his clerk altered both the amount in figures and letters to one million Rupees. The bank paid the cheque.
- Explain whether X can sue against the bank?

(05Marks)

(Total 10 Marks)

Question No. 03

- a. Define the concept of “contract of sale of goods”.

(04 Marks)

- b. Piyal advertised his car for sale describing it as “Monta Sports 2011” model. Sugath purchased the car after examine it. Later, Sugath discovered that major parts of the car consisted of a “Monta Sports 2005” model.

Explain Sugath’s legal rights in this regard.

(06 Marks)

(Total 10 Marks)

Question No. 04

- a. Briefly discuss the methods by which an agency relationship could be created.

(05 Marks)

- b. Piyadasa, a security personal of the XYZ Company, received Rs.10, 000/= for accompanying a loaded lorry in and about the main construction site belong to the Company, while dressed in uniform and thereby falsely representing himself as acting in the course of official duties in order to avoid security inspection of the said lorry. Infraction the lorry was used to smuggle some construction materials from the site. Now, XYZ Company seeks to take legal actions.

Advise XYZ Company.

(05 Marks)

(Total 10 Marks)

Question No. 05

- a. Define “Trade Mark” and explain how your business name can be protected.
(05 Marks)
- b. A dairy farm in Nugegoda area produces dairy products. Farmers in Ruhuna (Southern Province) have become aware that the dairy farm in Nugegoda uses the name “Ruhuna Curd”. Can Farmers in Ruhuna take legal action against this?

(05 Marks)

(Total 10 Marks)

Question No. 06

- a. Partnership is defined by sec.1(1) of the Partnership Act as “relationship which subsist between persons carrying on business in common with a view of profit”.

Discuss the characteristic of a partnership business in light of this statement.

(05 Marks)

- b. “Mere sharing of profits does not create partnership” do you agree? Discuss?

(05 Marks)

(Total 10 Marks)

Question No. 07

Manoj plans to obtain a life insurance for his sister Nirmala as a birth day gift of her 21st birthday. Manoj’s insurance agent advises him that he will not be able to get insurance for Nirmala. Manoj got to know that there is no “insurable interest” between them. Manoj wants to know the meaning of this term and its application in insurance contracts.

Explain the term “insurable interest” and its application in insurance contracts.

(Total 10 Marks)

PART C

Question No. 08

Martin saw an advertisement on a shop window stating:

“TODAY ONLY-VERY SPECIAL OFFER-BUY ONE GETS ONE FREE”.

In the shop window, there was a latest computer linked to a printer and a DVD player. Martin went into the shop and placed an order for three computers, printers and DVD players. It was agreed that the delivery would take two to three weeks and the shop would let Martin know the delivery date.

The delivery arrived but there were only three computers, printers and DVD players instead of six.

Martin telephoned the shop who said there had been an error and the advertisement should not have been on the window and they were not prepared to give the extra Computers and other machines.

Advise Martin.

(Total 20 Marks)