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

YEAR I SEMESTER II (INTAKE V – GROUP B)
END SEMESTER EXAMINATION – OCTOBER 2016

LAW 10125 Commercial Law

Date : 22nd October 2016
Time : 1.00 p.m. - 3.30 p.m.
Duration : Two and a half (02 ½) hours

Instructions to Candidates:

- Write your Index Number in the space provided at the top of this sheet. Do not write your name anywhere in this question paper.
- This paper consists of three parts (A, B and C).
- Part A – Answer **ALL** the questions in this paper itself.
Part B – Answer **ALL** the questions.
Part C – Answer **ALL** the questions.
- 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. Which one of the following is **not** a means by which an offer is terminated?
 - a. The period over which the offer is expressed to be kept open expires without acceptance by the offeree
 - b. The offeror tells the offeree before the latter's acceptance that the offer is withdrawn
 - c. The offer is accepted by the offeree
 - d. The offeree responds to the offer by requesting further information

Answer:

2. Anil endorses a cheque to Basith as a gift. Basith is a :
 - a. Holder for value.
 - b. Mere holder.
 - c. Holder in due course.
 - d. Wrongful possessor.

Answer:

3. A misrepresentation is;
 - i. A statement of fact which proves to be untrue
 - ii. A statement of law which proves to be untrue
 - iii. Made by one party to the other before the contract is formed in order to induce the latter to enter into the contract
 - iv. A statement which affects the claimant's judgment
 - a. (ii) and (iv) only
 - b. (i), (iii) and (iv) only
 - c. (i), (ii), and (iv) only
 - d. All of the above

Answer:

4. Which of the following will allow for a patent to be successfully applied?
- a. A new dramatic art.
 - b. The presentation of information.
 - c. An invention that would not have been obvious to someone with skill and experience in the area.
 - d. All of the above

Answer:

5. A term may be implied into a contract by;
- i. Statute
 - ii. Trade practice unless an express term overrides it
 - iii. The court to provide for events not contemplated by the parties
 - iv. The court to give effect to a term which the parties had agreed upon but failed to express because it was obvious
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- a. (ii) and (iii) only
 - b. (i), (ii) and (iv) only
 - c. (i), (ii) and (iii) only
 - d. (i), (iii) and (iv) only

Answer:

6. A partnership agreement must be in writing. True or False?
- a. True
 - b. False

Answer:

7. Intellectual property is;
- a. A security for a loan over property.
 - b. A right to retain possession of property belonging to another.
 - c. Both (a) and (b) mentioned above.
 - d. A form of intangible creation.

Answer:

8. A difference between a contract of sale and an agreement to sell is;
- a. Contract of sale covers goods that have already been transferred to the other party, and agreement to sell covers goods that are still in the possession of the seller.
 - b. Contract of sale covers goods and agreement to sell covers services.
 - c. Contract of sale covers existing, specific goods, and agreement to sell covers goods that have not yet been identified.
 - d. Contract of sale covers goods that not yet been identified, and agreement to sell covers goods that are specific.

Answer:

9. A retired partner;
- a. Will never be liable for any debts of the firm
 - b. Has the right to transfer debts to the remaining partners
 - c. Will be liable for debts incurred before retirement
 - d. Will be liable for debts incurred before and after retirement

Answer:

10. Which of the following is NOT a type of an alternative dispute resolution?
- a. Arbitration.
 - b. Court proceedings.
 - c. Conciliation.
 - d. Mediation.

Answer:

(Total 20 Marks)

Part B
Answer **ALL** Questions

Question No. 02

a. Explain the meaning of the following terms with regard to the law of agency, with suitable examples:

- i. Express authority
- ii. Implied authority

(5 Marks)

b. Write **five (05)** duties of an agent to a principal.

(5 Marks)

(Total 10 Marks)

Question No. 03

a. Illustrate the features and importance of the Protection of Intellectual Property.

(3 Marks)

b. Arjuna started an education institution to offer services on accountancy. He wishes to register a Trademark for his institution under the name “Colombo Accounts”.

Advise Arjuna on the legitimacy of his Trademark registration.

(7 Marks)

(Total 10 Marks)

Question No. 04

- a. Explain implied conditions and warranties imposed on the seller under the Sale of Goods Ordinance.

(5 Marks)

- b. Ajey who lives in Colombo agreed to sell a car to Ben for a valid consideration. Ben paid the full purchase price to Ajey. However, Ben requested Ajey to hold the vehicle for two days until he returns from Kandy to collect the car. While the car was with Ajey, Manil stole the car from Ajey.

Discuss whether Ben can take any actions to claim the damage from Ajey.

(5 Marks)

(Total 10 Marks)

Question No. 05

- a. Explain following headings under FOB and CIF contracts
- i. Buyer's duties and Seller's duties
 - ii. Passing of risk and ownership

(5 Marks)

- b. Explain the role and the applicability of the "World Trade Organization" in international trade.

(5 Marks)

(Total 10 Marks)

Question No. 06

- a. Outline the differences between a holder in due course and a holder for value.
(3 Marks)
- b. Sudesh handed two cheques to Abdul named cheque (1) and cheque (2) respectively to the value of Rs.500 each. Cheque (1) was given as a gift to Abdul. Cheque (2) for the goods purchased from Abdul. Abdul produced the cheque (1) for payment and the bank dishonored the cheque. Secondly, Abdul produced the cheque (2) for payment to the bank. The bank dishonored the cheque. Thereafter, Abdul endorsed cheque (2) as “pay Varuna” and handed the cheque to Varuna who took it in good faith for the sale of his lunch box to Abdul. When Varuna produced the cheque (2) to the bank, it was again dishonored.

Discuss remedies available to Abdul and Varuna.

(7 Marks)

(Total 10 Marks)

Question No. 07

- a. Identify different methods that can end a contract under non-performance.
(5 Marks)
- b. Discuss the comparative advantages of mediation and arbitration as alternative dispute resolution methods.

(5 Marks)

(Total 10 Marks)

Part C

Answer **ALL** Questions

Question No. 08

Ted owns a car sale business. He has been engaged in this business for the past 20 years. Barney was looking to buy a new BMW car for his personal use. Thus, he only had Rs. 2000 in his hand. Barney approached Ted's car sale and explained his requirements and the price range to Ted. Thereafter, Ted showed Barney a car parked at his sale and stated that it was the newest BMW car in his car sale. It was priced at Rs. 1990. He further stated that "he thinks that this car won the best domestic car price at the international car exhibition and everyone is looking to buy this car". Barney liked the car and decided to buy the car as it matched all his requirements and the price range. However, Ted had mistaken a BMW old model for a new model of BMW. Therefore, he had sold the old model to Barney thinking it was a new model BMW. Barney also without noting the fact that it was an old model, paid money to Ted and bought the car. Later on, Barney found out that Ted had sold the wrong model to him. Further, Barney's statement about winning the best domestic car price at the international car exhibition proved wrong. Therefore, Barney now wishes to file a legal action against Ted to terminate the contract.

- a. Briefly describe elements required to form a legally binding contract.

(5 Marks)

- b. Discuss all the relevant legal issues arising out of this situation. Support your answer with relevant case law.

(10 Marks)

- c. State what types of legal reliefs are available to Barney.

(5 Marks)

(Total 20 Marks)