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

END SEMESTER EXAMINATION – JANUARY 2017

LAW 10125 Commercial Law

Date : 21st January 2017
Time : 9.00 a.m. - 11.30 a.m.
Duration : Two and a half (02 ½) hours

Instructions to Candidates:

- Answer **ALL** 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 of the following is not a type of copyright work?
 - a. Literary works
 - b. Furniture
 - c. Cinematograph Films
 - d. Musical works

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

3. The advertisements contained in the websites are:
 - a. Offers
 - b. Invitations to treat
 - c. Acceptance
 - d. None of the above

4. What is a patent?
 - a. A law that provides the owner of a written document, musical composition, book, picture or other creative work, the right to decide what others can do with it.
 - b. A name or designation identifying the enterprise of a natural or legal person.
 - c. Any visible sign serving to distinguish the goods of one enterprise from those of another enterprise.
 - d. A form of legal protection granting the creator of a new technology the exclusive right to use and exploit that new technology for a limited period.

5. Can a partnership be sued in its own name?
- Yes
 - No. The Partners would have to be sued in their personal names.
 - Only when the business name of the Partnership is registered under Business Names Act No 7 of 1987.
 - None of the above
6. Which of the following is a way in which terminates the agency relationship by operation of law?
- Death of the principal.
 - Insanity of either the principal or agent.
 - Bankruptcy of either the principal or agent.
 - All of the above.
7. Which of the following is NOT a feature of bills of exchange?
- To become the holder in due course, the holder must take the bill in good faith not knowing of the lack of title of the person from whom he/she received it and he/she has given value for it.
 - A forged signature on bills, including an endorsement is of no effect.
 - A thief may steal a bearer bill and passes it to another who will become the legal owner of it.
 - A person cannot be the legal owner of a bill if he/she receives it from a person who was not the legal owner of it.
8. X goes into a shop and sees a price label on a marker pen for Rs.50/-. He takes it to the cashier, but the cashier informs him that the price stated in the price tag is incorrect and it should be Rs.150/-. X argues that he only has to pay Rs.50/-.How would you describe the price on the price label in terms of contract law?
- Display of goods for sale with a price label is an invitation to treat.
 - In this context the shop must be treated as making an offer which X had accepted.
 - The original offer of Rs.50/-had been terminated by the counter-offer of Rs.150/-.
 - None of the above

9. In terms of the Companies Act No.7 of 2007, what is the maximum number of partners in a Partnership?
- a. 20
 - b. 30
 - c. 21
 - d. 50
10. Not an Alternative Dispute Resolution Method is
- a. Adjudication
 - b. Litigation
 - c. Mediation
 - d. Arbitration

(Total 20 Marks)

Part B

Answer **ALL** Questions

Question No. 02

a. Describe the followings:

- I. Existing goods.
- II. Future goods.

(5 Marks)

b. *David Stationary PLC* makes a contract to sell 500 packets of printing sheets to *Sudath Printers Ltd*, at a contract price of Rs.500/-per packet. Advice *David Stationary PLC* if the printing sheets delivered to *Sudath Printers Ltd* proved unable to stand up to use in the printing of books for which *Sudath Printers Ltd* required them.

(5 Marks)

(Total 10 Marks)

Question No. 03

a. State three (03) types of Negotiable Instruments.

(5 Marks)

b. Menaka gifts a cash cheque for Rs.25,000/- to her daughter Nirushi on her birthday. Nirushi losses the cheque. Hashan who finds the cheque passes it to Kumudu, who takes it in good faith for value. When the cheque is presented for payment, the State Bank on whom the cheque is drawn dishonors the cheque as Menaka has stopped the payment on the cheque.

Explain the nature of Kumudu's title and his legal right to receive the proceeds of the cheque.

(5 Marks)

(Total 10 Marks)

Question No. 04

a. What is “creation of agency by necessity”?

(3 Marks)

b. What are the conditions to be satisfied for creation of agency by necessity?

(3 Marks)

c. State four (04) duties of an Agent.

(4 Marks)

(Total 10 Marks)

Question No. 05

“The expression F.O.B determines how the goods shall be delivered, how much of the expense shall be borne by the seller and when the risk loss or damage shall pass to the buyer”.

Per Staughton LJ in Mitsui and Co. Ltd V. Flota Mercante Jrancolabiana SA (1890) 1 ALL ER 951 at 956.

In light of the above statement

a. Discuss your answer in relation to F.O.B contracts.

(5 Marks)

b. Compare and contrast your answer under CIF contracts.

(5 Marks)

(Total 10 Marks)

Question No. 06

- a. Nut, Bolt and Jack are three friends enter in to a partnership agreement for a business which lets garages and repairs cars, however, their business does not involve the buying and selling of cars. Despite this, Jack sales a car.

Would you think that the partnership is liable for Jack’s sale? Explain your answer.

(5 Marks)

- b. Write FIVE rights/ duties of a partner

(5 Marks)

(Total 10 Marks)

Question No. 07

- a. Define “Trade Mark “

(2 Marks)

- b. Write two advantages and two disadvantages of a patent

(2 Marks)

- c. Trade marks can be used even without registration. Explain why it is important for businesses to register trademarks.

(4 Marks)

- d. Distinguish between trade mark and geographical indications

(2 Marks)

(Total 10 Marks)

Part C

Answer **ALL** Questions

Question No. 08

- a. Manisha's new Nokia Laptop was stolen. She placed an advertisement in the Sunday paper with a picture of the Laptop, advertising a reward of Rs.80,000 to anyone who finds it. Silva, who has not seen the advertisement, discovered the Laptop abandoned in a lonely street. He takes it home. His wife on seeing the Laptop recognizes it as the one for which the reward has been offered, and shows Silva the advertisement in the newspaper. Silva returns the Laptop to Manisha, but she refuses to pay the reward saying that the offer has been withdrawn.

Advise Silva.

(10 Marks)

- b. Sachith, is a 18 year old professional cricket player. He ordered ten (10) cricket bats which cost Rs.13,000/-each from *Sport Trade PLC*. After five (05) bats have been manufactured by *Sport Trade PLC*, Sachith has decided to retire from professional cricket and informs *Sport Trade PLC* his intention not to proceed with the contract and to stop manufacturing bats for him.

Discuss whether *Sport Trade PLC* has any claim over Sachith for the work undertaken.

(10 Marks)

(Total 20 Marks)