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

YEAR I SEMESTER II – INTAKE VI (GROUP A)
END SEMESTER EXAMINATION – JANUARY 2017

LAW10125 Commercial Law

Date : 16th January 2017
Time : 1.00 p.m. - 3.30 p.m.
Duration : Two and a half (02 ½) hours

Instructions to Candidates:

- This paper consists of three parts (A,B and C)
- **Part A:** Answer **ALL** questions
- **Part B:** Answer **ALL** questions
- **Part C:** Answer any **ONE** out of the two questions given
- 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. Sale of Goods Ordinance implies various terms into contracts for the sale of goods but what type of goods are NOT included under the Ordinance?
 - a. Cars
 - b. Harvest which are to be severed from land before sale.
 - c. Building.
 - d. Clothing advertised in catalogues.
2. The court stated that the advertisement in Carlill v Carbolic Smoke Ball Co. was which of the following?
 - a. An invitation to treat.
 - b. An offer.
 - c. A statement of intention.
 - d. Of no legal effect whatsoever.
3. There are mainly 3 contract involved in CIF. They are;
 - a. Sale of contract
 - b. The contract of insurance
 - c. The employment contract
 - d. The contract of carriage
4. Which one of the following is not a duty of an agent?
 - a. Duty to exercise care and skill.
 - b. Duty to take a commission.
 - c. Duty to account.
 - d. Duty to avoid a conflict of interest.

5. When is revocation of an offer effective?
 - a. When it is put in the post by the offeree.
 - b. When it is received by the offeror or his agent.
 - c. After acceptance.
 - d. An offer cannot be revoked.

6. Of the following, select the INCORRECT answer regarding the partnership in Sri Lanka
 - a. Partnership is essentially a result of an agreement.
 - b. Partnership agreement may be oral or implied.
 - c. Maximum partners are limited to 20 in every types of partnership.
 - d. Real partners share profits and loss both.

7. 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.

8. In which court does a trade Mark case is heard in?
 - a. District Court
 - b. Provincial high Court
 - c. Magistrates' Court
 - d. Commercial high Court

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

10. Today documentary credits are regulated under the Uniform Custom and Practices for Documentary Credits (UCP). These body of rules are compiled and published by,
- a. The Parliament of Sri Lanka
 - b. House of Lords
 - c. The International Chamber of commerce
 - d. European Court

PART B

Answer **ALL** Questions

Question No. 02

Ishan, an owner of an international conference hall, orders 5,000 pieces of carved chairs made out of teak from “Excellent Furniture”. He tells the seller that the chairs are for an international conference hall. The chairs supplied by Excellent Furniture are not made out of teak and the carving depicts a kid’s design which is not suitable for an international conference hall.

Explain the legal implications with reference to relevant statutory provisions and decided cases.

(Total 12 Marks)

Question No. 03

Explain the advantages and disadvantages of Alternative Dispute Resolution methods with special reference to the International Arbitration

(6 Marks)

Explain three Alternative Dispute Resolution methods available in Sri Lanka

(6 Marks)

(Total 12 Marks)

Question No. 04

- i. Explain the duties owed by an agent to his/her principal, and rights the agent has against the principal.

(6 Marks)

- ii. Zakira appoints George as her agent to find a buyer for a valuable picture. She tells him under no circumstances to sell the picture for less than Rs.200,000/=, although she hopes to get an offer Rs.250,000/= George sells the picture For Rs.150,000/= and receives a commission of Rs.25,000/=from the buyer. Advise Zakira about legal implication of the above situation.

(6 Marks)

(Total 12 Marks)

Question No. 05

- i. Explain how a businesses can protect trade names and short slogans used in their business

(6 Marks)

- ii. The protected intellectual property rights are limited to a specific period of time. What is the period of validity or duration of time period for the following rights
- a. copyright
 - b. patent
 - c. trade mark
 - d. industrial design

(6 Marks)

(Total 12 Marks)

Question No. 06

- a. Explain the essential features of partnership deed.

(6 Marks)

- b. Amara, Bala and Casim started an accounting firm as partnership just after they graduated from the University. The agreement was not written. Amara contributed 50% of the total capital while the other two contributed to the balance 50% equally. After two years, Amara gave a Rs.200,000/= loan to the partnership. Wimal an outsider also gave Rs.100,000/= on credit. As Amara got married last year now he wishes to claim his money back. Wimal also wants his Rs.100,000/= to be paid.

Explain whether Amara and Wimal can sue against the partnership to claim their money.

(6 Marks)

(Total 12 Marks)

PART C

Answer **Only One** Question

Question No. 07

- a. Explain the deference between agreement and contract.

(5 Marks)

- b. What are the essential elements of contract?

(5 Marks)

- c. Mr Balfour-Sin is an Indian IT specialist who has been transferred to Sri Lanka under the ETCA agreement signed by the governments of India and Sri Lanka. He and his wife, Mrs Balfour-Sin have been in Sri Lanka for nearly six months and decided to leave Sri Lanka due to bad weather condition which cause to the ill health of Mrs Balfour-Sin. They both came to their home town, New Dilhi in India. After spent two months with his wife, Mr Balfour-Sin left for his duties in Sri Lanka. Before being left from New Dilhi, Mr Balfour-Sin agreed his wife to send Rs.25,000/= per month for her medications. However, now he refuses to send agreed money to Mrs Balfour-Sin.

Mrs Balfour-Sin wants to take legal action against Mr Balfour-Sin. Advise her.

(10 Marks)

(Total 20 Marks)

Question No. 08

- a. Describe the concepts of condition and warranties.

(10 Marks)

- b. Medi-Smoke Limited put an advertisement in the newspapers advertising a new herbal medicinal preparation. The advertisement stated that ‘any person who took the medicine as prescribed will not suffer from any headaches for more than 2 hours’. The advertisement also stated that ‘if any person, who having taken the medicine as prescribed, suffered from a headache for more than two hours will be paid Rs. 20,000/=’.

Mrs N-Sina, took the medicine as prescribed but still suffered from a headache for more than 2 hours. She claimed the Rs. 20,000/= from Medi-Smoke Limited. However, Medi-Smoke Limited refused to pay the award of Rs. 20,000/=.

Advice Mrs N-Sina.

(10 Marks)

(Total 20 Marks)