



UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

BACHELOR OF BUSINESS ADMINISTRATION DEGREE - 2000 LEVEL

SECOND SEMESTER END EXAMINATION (MARCH /APRIL 2019)

BBA 2202- BUSINESS LAW

DURATION: 3 HOURS

This Question Paper contains 08 questions.

Answer 5 (FIVE) questions only.

---

1. (a) Define the following terms / phrases.

- (i) Privity of contract.
- (ii) Unilateral mistake.
- (iii) Counter offer.
- (iv) Postal rule.

(01 X 04 = 04 Marks)

(b) Explain very briefly whether the following statements are true or false. Give reasons in support of your answer.

- (i) Social or domestic agreements usually have legal binding.
- (ii) A contract may terminate due to death of a party to a contract.
- (iii) A request for information would amount to a counter offer.
- (iv) Specific performance always available as a remedy for a breach of contract.

(01½ X 04 = 06 Marks)

- (c) Chamara and Dilan are good friends. On 20<sup>th</sup> March, Chamara met Dilan at a party and told him that he is going to sell his car for Rs. 2.5 Million since he wants to buy a new car. Since Dilan showed an interest in the car, Chamara wrote a letter to Dilan on the same day that he would sell his car for Rs. 2.5 Million. Having received no reply until 28<sup>th</sup> March he decides to withdraw this offer and posted a withdrawal letter.

On 29<sup>th</sup> March, Dilan received the original offer letter and immediately telephoned Chamara to express his acceptance to Chamara's wife. In addition, he posted his acceptance letter to Chamara on the same day. Chamara's second letter arrived on April 2<sup>nd</sup> and Dilan learnt that Chamara had sold the car to another person.

Advise Dilan.

(04 Marks)

(Total Marks)

2. (a) What does it mean by a contract of sale of goods? Briefly describe the main features of such contract.

(05 Marks)

- (b) Briefly explain the legal consequences of the following situations. Your answers should be supported with relevant statutory provisions and decided cases, if any.

(i) Kamal is the owner of the Ka-bal Car Sale. One day Ruwan came to the car sale and told Kamal that he wanted to purchase a car for motor racing purposes. Kamal suggested that Hyundai Accent XCV is good for that. Ruwan bought a car and later the car turned out to be unsuitable for motor racing.

(ii) Ajith, a farmer contracted with Nimal to sell 10,000 kg of Pumpkin out of his 30,000 kg stock. Ajith weighed those 10,000 kg of pumpkin and phoned Nimal to tell that the pumpkins are ready to deliver. Ajith tried to phone several times but failed. Since it was late night, Ajith thought to phone him next day morning. Unfortunately, on the same night, a herd of elephants ate the entire stock of pumpkin.

(iii) Mahesh handed over his car to a reputed car seller for sale at Rs. 3 Million or more, not below that. The Car Seller sold it for Rs. 2.7 million to Shehan, who purchased it without knowing the agreement between Mahesh and the car Seller. The Car Seller got the money from Shehan and spent it. Shehan resold the car to Kaveen.

(03 X 03 = 09 Marks)

(Total Marks)

3. (a) What does it mean by a hire purchase agreement? Briefly describe the main features of such agreement.

(02 ½ Marks)

(b) What are the implied conditions of hire purchase agreement? Briefly explain them.

(02 ½ Marks)

(c) Briefly determine the legal consequences of the following situations. Your answer should be supported with relevant statutory provisions and decided cases, if any.

(i) Bernard entered a hire purchase agreement to hire a television from Kasun on terms that if Bernard paid 48 monthly installments, the television would become Bernard's property. Bernard could, however, return the television at any time during the hire period. After paying three instalments, Bernard sold the television to Ranil.

(ii) Suppose, Bernard has failed to pay 2 instalment due to his financial difficulties. On 3<sup>rd</sup> March, he received a letter from Kasun requesting to pay the arrears within 10 days and failure would allow him to repossess the goods. Unfortunately, Kasun could not pay and Bernard took the television away.

(iii) Suppose, the television that Bernard has hired is a second-hand one and the agreement contains a statement to that effect. However, now Bernard feels that the television is not fit to be offered for sale.

(03 X 03 = 09 Marks)

(Total Marks 14)

4. (a) "A contract of agency can be created only through an appointment of agent by a Principal"

Do you think the above statement reflect the correct legal position. Give reasons for your answer.

(03 Marks)

(b) Waruni appointed Tharindu as her agent to buy a car for Rs. 2 million. Briefly determine the legal consequences of the following transactions. Your answer should be supported with relevant statutory provisions and decided cases, if any.

(i) Tharindu bought a car for Rs. 2 million on his name.

(ii) Tharindu bought a car for Rs. 2.5 million. Now, Waruni is declared as a bankrupt person.

(iii) Suppose, Tharindu was not an agent of Waruni, but a private car park owner. One day, Waruni parked her vehicle in the park belong to Tharindu, and told that she will be abroad for three weeks. Unfortunately, few days later a fire broke down inside the car. Tharindu spent Rs. 10,000/= to extinguish the fire.

(03X 03= 09 Marks)

(c) What are the ways in which an agency can be terminated?

(02 Marks)

(Total Marks 11)

5. (a) You have been invited for a Young Entrepreneurs Association (YEA) to deliver a lecture on "Partnership: Sri Lankan Legal Framework". You are required to prepare a hand-out to be distributed among participants on the lecture day.

(04 Marks)

(b) Chathurika's husband died last month. Yesterday, she received Rs. 10,000 on behalf of her deceased husband from ABEY Partners. Since she is confused as to why she got this money, seeks your assistance to clarify. Give reason for your answer.

(04 Marks)

(c) Write four differences between a co-ownership and a partnership.

(04 Marks)

(d) Describe the way in which a partnership can be dissolved.

(02 Marks)

(Total Marks 14)

6. Briefly examine the legal situation of the insurance company in relation to the following situations. Your answer should be supported with relevant statutory provisions and decided cases, if any.

(a) Ajith submit his proposal form to Chawraya Insurance Company to get an insurance for his life. At the time of proposal, he was a teetotaler. However, after submitting

of the proposal, but before making of the contract, he began to consume cocaine heavily.

(04.5 Marks)

(b) Thamali insured her jewellery with Chawraya Insurance Company. One day, she hid her jewellery under a garbage paper in order to protect them from thieves in the area. Later, having forgotten this, she lit the fire to garbage papers and the jewellery was damaged.

(04.5 Marks)

(c) Gihan and Annual were partners. They made a proposal on the firm's behalf with Chawraya Insurance Company, for a burglary insurance. Gihan had been previously refused by Insurance Companies, but the firm had never been refused.

(05 Marks)

(Total Marks 14)

7. (a) You are invited for a lecture on "Corporate Law in Sri Lanka in a nutshell" for a group of people who want to start and run a company. You are required to prepare a handout to be delivered among participants on the lecture day. Your handout should contain information from incorporation of company to winding up of a company.

(07 Marks)

(b) Sujani, an undergraduate student wants to know the characteristics of negotiable instruments, meaning of bills of exchange, crossing of a cheque, holder in due course, endorsement of a bill.

You are required to briefly explain those for Sujani.

(07 Marks)

(Total Marks 14)

8. Write comprehensive notes on any 04 (four) of the following.

(a) Differences between a Bills of Exchange and a Cheque.

(b) Differences between a Company and a Partnership.

(c) Differences between a Contract of Sale of Goods and Hire Purchase Agreement.

(d) Differences between an independent contractor and an employee.

(e) Differences between consideration and *causa*.

(03.5 Marks each)

(Total Marks 14)

\*\*\*\*\* ALL RIGHTS RESERVED \*\*\*\*\*