



UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

BACHELOR OF BUSINESS ADMINISTRATION DEGREE - 2000 LEVEL

SECOND SEMESTER END EXAMINATION (FEBRUARY/ MARCH 2021)

BBA 22013- BUSINESS LAW

DURATION: 3 HOURS

This Question Paper contains 08 questions.

Answer 5 (FIVE) questions only.

1. (a) Define the term 'a contract'.

(01 Mark)

(b) Sachini is confused with the accuracy of the following statements. She seeks your assistance to clarify whether the following statements are true or false. You are required to assist her. Give reasons very briefly in support of your answer.

- (i) All agreements are contracts.
- (ii) A person can enter into a contract relating to banned drugs.
- (iii) Revocation of an offer by post will be effective once the revocation letter is posted.
- (iv) The auctioneer of a 'reserved auction' is bound to accept any bid made by the bidders.
- (v) Undue influence can be exercised only when there is an interpersonal relationship exists between the parties.

(01X 05 = 05 Marks)

(c) Dulanjaya put the following advertisement in a weekend newspaper.

"For sale: 05 pieces of ornaments made of specific wood at Rs. 2000/= per piece".

Consider the following independent situations and determine the legal consequences.

- (i) After seeing the advertisement, Pawani posted a letter ordering 02 pieces for Rs. 1750/= each.
- (ii) Piyal ordered 02 pieces and Dulanjaya agreed to send them. However, just one day before the delivery the Government banned selling all ornaments made of wood.
- (iii) Nelson ordered 02 pieces and received a bill that contained a clause which excludes the liability of Dulanjaya.
- (iv) Suppose Sanjeewa, an antique ornament shop owner, bought 03 pieces from Dulanjaya's shop. At the time of sale, Dulanjaya believed that the wood ornaments have no antique value but Sanjeewa knew it was valuable and worth millions of rupees. Now, Dulanjaya came to know about the real value of the ornaments.

(1 ½ X 04 = 06 Marks)

- (d) List the ways in which a contract can be terminated.

(02 Marks)

(Total Marks 14)

2. (a) Define the term "a contract of sale of goods" and briefly describe the main features of a contract of sale of goods.

(03 Marks)

- (b) 'The title of the goods passes from the seller to the buyer as soon as they enter the contract'.

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

(05 Marks)

- (c) Briefly explain the legal consequences in each of the following independent situations. Your answer should be supported with relevant statutory provisions and decided cases if any.

- (i) Maheshi, contracted to sell an artwork to Sonali. Maheshi described the artwork as a masterpiece of Kamal, a renowned artist in the country. However, it was a replicate one.

- (ii) Sonali bought a glass of fresh fruit juice from Maheshi's juice shop and consumed it in the juice shop itself. As soon as she consumed the juice, she suffered a severe abdominal pain since the fruit juice contained microorganisms. Sonali was hospitalized.

(02 X 02 = 04 Marks)

- (C) Briefly discuss the remedies available to an unpaid seller.

(Marks 02)

(Total Marks 14)

3. (a) Define the term 'a hire purchase agreement'.

(01 Mark)

- (b) 'The Consumer Credit Act No. 29 of 1982 has no provision to protect the hirer of a hire purchase agreement'.

Do you agree with the above statement? Give reasons for your answer. Your answer should be supported with relevant statutory provisions and decided cases, if any.

(05 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) Jayani entered a hire purchase agreement to hire a second-hand washing machine from Romesh. However, after few weeks the washing machine started giving trouble. Although this has been brought to the notice of Romesh, he had not taken any steps.

- (ii) Suppose Jayani has failed to pay 03 installments. Unfortunately, Romesh took the washing machine away.

(02 X 02 = 04 Marks)

- (d) Romesh thinks that there are no significant differences between a hire purchase agreement and a contract of sale of goods. However, his friend Jayani does not agree with Romesh.

Whom do you agree with? Give reasons for your answer.

(04 Marks)

(Total Marks 14)

4. (a) Define the term 'agency' and briefly explain how an agency by ratification be created.

(06 Marks)

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

(i) Rikas was instructed to sell Isma's used Laptop. She agreed to pay Rs. 5000/= to Rikas. In order to sell the Laptop, Rikas put some advertisements and spent Rs. 1500/=. Rikas successfully completed the transaction. Now, Isma realized that Rikas has received Rs. 1000 from the buyer.

(ii) Buddhika, the owner of 250 perches land, asked Uchintha to sell the land for 2.5 million per perch. Uchintha, got the assistance of a licensed Surveyor and paid for him. However, now Buddhika refuses to refund the payment made by Uchintha.

(iii) Nuwan appointed Vishva to sell his old house. A day later, the old house was burnt down and destroyed.

(02X 03= 06 Marks)

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

(02 Marks)

(Total Marks 14)

5. (a) Briefly explain the laws applicable to a Partnership in Sri Lanka.

(02 Marks)

(b) Amanda, a partner of an Accounting Consulting Firm, borrowed money from Dinuga. She used that money for her matters. Now, Amanda refuses to pay it back.

Dinuga seeks your advice to file a case against the Firm.

(02 Marks)

Suppose this matter which damaged the reputation of the Firm, has been published in the regional newspapers.

Advise the Firm.

(02 Marks)

- (C) Suppose newly appointed Supervisor wants to examine your basic knowledge of company law in Sri Lanka. He asked you to write a note on "Steps of incorporation of a company and the legal consequences of such incorporation".

Prepare a brief note for him.

(06 Marks)

- (d) List 4 (four) key differences between a partnership and a company.

(02 Marks)

(Total Marks 14)

6. (a) Briefly explain why is it important to distinguish between 'a contract of service' and 'a contract for Service'?

(3 Marks)

- (b) What are the tests that are being used to determine the worker is an employee or an independent contractor?

(3 Marks)

- (c) Chinthaka, a well-known electrician in the area, agreed to repair the broken electricity line on the ceiling of Haritha's hotel. However, while repairing the connection line, Chinthaka fell from the ceiling and broken his leg. Since he could not go to any work, now he seeks your advice to claim some damages from Haritha.

Advise Haritha.

(4 Marks)

- (d) Define the term 'Industrial Disputes' and briefly explain the available mechanisms to solve industrial disputes in Sri Lanka?

(4 Marks)

(Total Marks 14)

7. Michael is a young fisherman in Tangalle. He seeks your advice on the following issues. Advise him. Your answer should be supported with relevant decided cases.

- (a) Michael insured his fishing boat against storm damage. One day, his boat suffered damage during a storm. In fact, the storm itself alone would not have damaged the boat. The insurance company identified that a design fault on the boat was the reason for the damage.

- (b) Suppose there was no design fault, but Michael was advised by the Insurance Company to main a storm warning unit and switch it on before going for fishing. However, one day he forgot to switch on the storm warning unit, and the same day his fishing boat was damaged by a storm.
- (c) Suppose Michael has obtained two insurance policies from two companies. The damage was Rs. 1 million. Now, he wants to recover the damage from both companies.
- (d) Miceal has a cold store where he stores fish belong to him and others. He wants to obtain an insurance policy on the cold store, the machinery, the manager of the cold store and the fish belong to others.

(3.5 x 04 Marks)
(Total Marks 14)

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

- (i) Negotiable instruments.
- (ii) Unenforceable terms of a hire purchase agreement.
- (iii) Vitiating factors of a contract.
- (iv) *nemo dat quod non habet*.
- (v) Application of Unfair Contract Terms Act No. 26 of 1997 on a contract of sale of goods and a hire purchase agreement.
- (vi) Partners rights and duties under the Partnership Law.

(03.5 Marks each)
(Total Marks 14)

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