

THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF LEGAL STUDIES
LLB DEGREE PROGRAMME – LEVEL IV
FINAL EXAMINATION - 2023/2024
LLU4805/LWU2311- LAW OF CONTRACT
DURATION – 03 HOURS



DATE: 2025.05.10

TIME: 01.30 P.M.-04.30 P.M.

Total number of questions – 08

Answer **FIVE (05)** questions only, selecting at least **ONE (01)** question from Part I and **FOUR (04)** questions from **Part II**.

Candidates will be penalized for illegible handwriting.

PART I

Answer any ONE (01) question from this section.

1. Anjali, a renowned chef based in Kandy, owns a popular bakery called 'Sweet Cravings'. To manage daily operations more efficiently, she appoints Priya as her agent, entrusting her with the responsibility of handling customer orders and assisting in baking. Discuss the legal consequences arising from Priya's conduct as an agent in the following situations:
- Without Anjali's knowledge, Priya began selling bakery products at 'Sweet Cravings' with an additional markup of 15% on the original price, which she gained as a secret profit.
 - Priya clandestinely established her own bakery, 'Crave Bites', within the same area and began accepting orders from the regular 'Sweet Cravings' clientele.
 - Acting without Anjali's knowledge or consent, Priya appointed Dilan as a sub-agent to work at 'Sweet Cravings'.
 - Priya failed to deliver multiple customer orders that she had accepted on behalf of 'Sweet Cravings'.

(5x4= 20 marks)

2. Write short notes on any two (02) of the following:
- The liability of a principal towards third parties under the law of agency
 - The various ways in which an agency relationship can be terminated
 - Duties owed by a principal to an agent.
 - Creation of agency relationships

(2 x 10 = 20 marks)

PART II

Answer any **FOUR (04)** questions from this section.

3. Explain the importance of any four (04) of the following cases
- Pharmaceutical Society of Great Britain v Boots Cash Chemists Ltd [1953] EWCA Civ 6*
 - Cutter v Powell Court of King's Bench Citations (1795) 6 Term Reports 320*
 - Carlill v Carbolic Smoke Ball Company (1893) 1 QB 256*
 - Hadley v Baxendale [1854] EWHC J70*
 - Public Trustee v. Uduruwana 51 NLR 193*
 - Gallie v Lee [1970] UKHL 5*

(5x4=20 Marks)

4. (i). Define the concept of consideration in contract law and explain its significance in the formation of a valid contract.

(10 Marks)

- (ii) How does consideration differ from the concept of *causa*?

(10 Marks)

(10x2= 20 Marks)

5. (i). Define and explain the concept of 'exemption clauses' in contract law.

(10 Marks)

(ii). A couple checks into a hotel and completes the registration formalities at the reception counter. Later, they find a notice displayed on the wall inside their room stating that the hotel will not be liable for any loss or damage to guests' personal belongings. During their stay, several valuables are stolen from their room.

Advise them on whether the hotel can rely on the exemption clause.

(10 Marks)

(10x2= 20 Marks)

6. (i). B is a tenant of C and occupies part of C's house under a 3-year tenancy agreement. C runs a brothel in the other part of the house. C agrees to waive the rent that B owes him in exchange for B's help in misleading police officers during planned raids. A year later,

after a falling out, B refuses to help C further. C demands that B pay the rent for the past year, and B refuses.

Explain whether C can enforce the agreement and recover the rent from B.

(10 marks)

(ii). F a senior lawyer engages R, a newly qualified lawyer, to work at his law firm, under a contract of employment. The contract contains a clause that prohibits R from practising law anywhere in the country for five years after leaving the firm.

Discuss whether this clause is legally enforceable. Support your answer with relevant legal principles and case law.

(10 marks)

(10x2= 20 Marks)

7. Write short notes on any two (02) of the following:

- a. Capacity to enter into a valid contract
- b. Requirements for the valid performance of a contract
- c. *Donatio mortis causa*
- d. Frustration of a contract

(10x2= 20 Marks)

8. AquaCraft Ltd. entered into an agreement with RiverRush Adventures, a tour company, to supply custom-built boats suitable for inland fishing and rough water sports. According to the contract, the boats were to be delivered no later than 30th June 2024, as RiverRush had scheduled three fully booked holiday trips immediately thereafter. However, the boats were only delivered on 03rd July 2024, leaving insufficient time for necessary inspections and preparations. As a result, RiverRush was unable to operate the tours as planned and approximately 75% of the trips had to be cancelled. RiverRush claims to have incurred a loss of Rs. 200,000 due to the delay.

Discuss the legal remedies available to RiverRush Adventures against AquaCraft Ltd. for breach of contract.

(20 Marks)

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