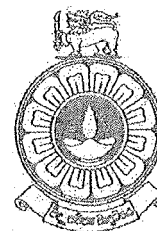


THE OPEN UNIVERSITY OF SRI LANKA
 FACULTY OF HUMANITIES AND SOCIAL SCIENCES
 DEPARTMENT OF LEGAL STUDIES
 LLB DEGREE PROGRAMME- LEVEL 4
 CONTINUOUS ASSESSMENT TEST II- 2022/2023
 LLU4805/ LWU2311- LAW OF CONTRACT
 DURATION- 1 HOUR



DATE: 2nd December 2023

TIME: 9.30 a.m. – 10.30 a.m.

Answer ONE (01) question only.

Candidates will be penalized for illegible handwriting.

(1) (a) Finex a well-known fabric distributor entered into a contract with Nishi a garment manufacturer to sell her 1500 meters of 100% cotton fabrics for the upcoming Christmas season. Finex agreed to send the first batch of fabrics by October 2023 and the second batch by November 2023. Finex sent the first batch of fabrics as agreed but demanded a 10% increase in the price of the second batch. When Nishi refused to pay the extra amount Finex stated that they would not deliver the second batch unless Nishi agreed to the increased price. Nishi had already taken an order to supply 2000 cotton shirts to a customer in December. Therefore, she agreed to buy the second batch of fabric for the increased price and entered into a new written agreement to pay the increased price.

Nishi wants to take legal action against Finex. Analyze whether Nishi can challenge the validity of the written agreement for the second batch of fabric. Support your answer with case law.

(10 Marks)

(b) Contracts which may be rescinded due to undue influence fall into two distinct categories.

Explain the basis of this categorization, using case law to illustrate your answer.

(10 Marks)

(10 + 10 = 20 Marks)

2. If parties enter into a contract on the basis of a common assumption which they later discover to be false, courts may set aside the contract on the basis of common mistake.

Critically analyze the validity of the above statement under English Law and Roman-Dutch Law. Support your answer with relevant case law.

(20 Marks)