



EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

**SECOND YEAR - FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS
ADMINISTRATION / COMMERCE - 2014/2015 (November/December 2016)
(PROPER/REPEAT/RE-REPEAT)**

COM 2042 - BUSINESS LAW

Answer All Questions.

Time Allowed: 02 Hours

01. Select and write the most appropriate answer for the following questions in the given answer script.
- I. A contract is
- a) Legally binding agreement
 - b) A mutual understanding between two parties
 - c) A verbal understanding with any party
 - d) A written agreement between two or more party
- II. An essential part of a contract is that
- a) there should be a valid offer and acceptance
 - b) both parties should live in Sri Lanka
 - c) agreement entered should be certified by a Lawyer
 - d) there should be a physical product to transact
- III. Which of the following is considered as no capacity to contract
- a) persons above 21 years old
 - b) married women
 - c) person of unsound mind
 - d) non citizen of Sri Lanka
- IV. The person making the offer is known as 'offeror' or 'promisor' and to whom it is made is known as
- a) acceptor
 - b) acceptor for honour
 - c) offeree or promisee
 - d) contracting party

V. A shopkeeper's catalogue of price and display of goods in a shop with price list attached is:

- a) Valid offer to sell at printed/ listed price.
- b) An invitation to receive offer at printed/listed price.
- c) An offer to the public at large acceptable by anybody.
- d) An express offer to sell at printed/listed price.

VI. A sent his servant, B to trace his missing nephew. After B left, A announced a reward of Rs 5,000 for anybody who discover the boy. B discovered the missing boy without knowing the reward. In this case

- a) B is not entitled to the reward as he did not know about the offer when he discovered the missing boy i.e., the offer to pay reward has not been communicated to him.
- b) B is entitled to the reward as the offer has been communicated to him while sending him to trace the missing boy
- c) No valid contract comes into existence as the offer of reward is not made specific to him to trace the missing boy
- d) Offer is not valid as unilateral contracts is not recognized

VII. Which of the following is the legal requirement of a valid offer?

- a) It must have its terms definite and clear.
- b) It must not be capable of creating legal relationship.
- c) Both (a) and (b).
- d) None of these

VIII. The maximum number of persons who are legally allowed to operate in a partnership is:

- a) 2
- b) 20
- c) 100
- d) There is no legal limit

IX. Which one of the following relationships DOES NOT give rise to a presumption of undue influence?

- a) Employer and employee
- b) Parent and child
- c) Trustee and beneficiary
- d) Doctor and patient

- X. Which one of the following is not a duty of an agent?
- Duty to exercise care and skill
 - Duty to take a commission
 - Duty to account.
 - Duty to avoid a conflict of interest
- XI. What is an undisclosed agency?
- Where a third party is not informed of the existence of the principal and believes the agent is acting on his own behalf.
 - Where the agent indicates through conduct he is acting as an agent.
 - Where the principal is not in existence.
 - Where the third party knows there is a principal but does not know his name.
- XII. Which of the following statements is incorrect?
- An agency may be terminated by death of either party.
 - An agency may be terminated by express agreement.
 - An agency agreement can always be terminated by a principal
 - Mental incapacity of an agent will terminate the agency relationship.
- XIII. When does apparent (ostensible) authority of an agent arise?
- When the agent acts with the usual authority of his job.
 - When the principal gives the agent implied authority to act.
 - When the agent has actual authority to act.
 - When the principal represents to a third party that an agent has authority to act when in fact he does not.
- XIV. Prab asked her agent, Hari to purchase for her 500 shares in X Ltd. Hari owned 600 shares in X Ltd so without informing Prab from where the shares come he sells his shares to Prab at market value. Is Hari in breach of his agency duties?
- Yes, , because he has a duty to avoid a conflict of interest.
 - Yes, because he has a duty to account
 - No, because he has sold Prab the shares at market value
 - No, because he has acted according to Prab's instructions and she has the shares as she requested.

(2 x 14 = 28 Marks)

02. I. Explain the Postal Acceptance Rule with examples. (4marks)

II. How a contract can be discharged? (12marks)

(Total 16 Marks)

03. I. a) What is meant by apparent authority under Law of Agency,? (4marks)

b) What are the duties of an Agent? (6 marks)

c) What is agency by Necessity? (4marks)

II. a) What is partnership? How can you form a valid partnership and how do you register the partnership? Explain. (7marks)

b) How a partnership can be terminated? (7marks)

(Total 28 Marks)

04. I. a) What is uberrimae fidei? Explain with Case Law. (7marks)

b) What are the classifications of Insurance? Explain it in detail. (7marks)

II. a) What is meant Private and Public Company? (5marks)

b) Explain the procedure for incorporation of a Company under Registrar of Companies in Sri Lanka? (9marks)

(Total 28 Marks)