

UNIVERSITY OF COLOMBO, SRI LANKA
FACULTY OF LAW
MASTER OF LAWS DEGREE PROGRAMME 2024/26
2nd Semester End Examination – 2025

Comparative Contract Law – LLM12408

(Three Hours)

Total number of questions: 04

Answer any **Three** questions
(Candidates will be penalized for illegible handwriting)

1. (a) Lahiru owns a small flower boutique in Kandy. In April 2023, he verbally agreed with Kavin, a local gardener who sells roses, that Kavin would supply Lahiru with 200 fresh roses every morning for Rs. 10,000 until the end of April 2024. After two months, in July, Lahiru requested Kavin to reduce the price of the roses to Rs. 8,000 until the end of September due to economic difficulties in his business, promising to resume full payments in October and continue using Kavin as his exclusive supplier. Kavin agreed to this request without establishing a new agreement.

In October, Lahiru resumed payments as verbally agreed. However, in November, he switched to another supplier who offered a lower price. Kavin sued for the difference of Rs. 2,000 for each delivery between July and October, claiming there was no consideration for the reduced price. Lahiru invokes promissory estoppel arguing that the continuation of business constitutes a form of consideration.

Discuss the legal issues arising from the above scenario. Advise both Lahiru and Kavin regarding the validity of their arguments under the law of contract. Support your answer with relevant case law examples.

(12.5 marks)

(b) Discuss the application and importance of the doctrine of *justa causa* for the validity of a contract. Support your answer with legal reasoning and relevant case law of Sri Lanka and one other jurisdiction.

(7.5 marks)

2. (a) Mahinda owns an art gallery in Anuradhapura. On 10th January, he wrote and posted a letter to his friend Arun, offering to sell a rare vase belonged to the 2nd century BC for Rs. 500,000. The letter specified, "Please let me know by post before 20th January if you wish to purchase it." Arun received the letter on 13th January.

On 15th January, Arun posted a letter to Mahinda, asking if he would accept Rs. 450,000 for the vase. This letter reached Mahinda on 17th January. On the same day, Arun reconsidered the uniqueness of the vase and posted another letter to Mahinda stating, "Please disregard my previous letter if you have received it already. I accept the original offer of Rs. 500,000." Mahinda received Arun's second letter on 20th January 2025. However, Mahinda sold the vase to Piyumal on 19th January before receiving Arun's second letter.

Arun argues that Mahinda is in breach of contract and insists the vase should be sold to him, as a binding contract was formed between them on 17th January. Mahinda, however, denies Arun's claim.

Advise Arun whether a binding contract exists between him and Mahinda. Support your answer with relevant case law.

(10 marks)

(b) ABC (Pvt) Ltd (the company), is an engineering consultancy specializing in manufacturing milk pasteurization equipment. On 20th March 2025, Vimal, who operates a dairy factory, entered into a contract with the company to purchase 10 machines for milk pasteurization and storage, paying an advance of Rs. 5 million, with the remaining Rs. 10 million due upon delivery of the machines. The company informed Vimal that the equipment parts would be imported from China and assembled in Sri Lanka, with delivery scheduled for 1st July 2025. Vimal subsequently

contracted with several supermarkets to supply milk starting from 10th July 2025, based on the expectation of receiving the machines on time.

The contract included a force majeure clause stating that neither party would be liable for delays or failures in performance due to events beyond their control, such as natural disasters, acts of government or civil unrest.

On 15th June 2025, the company informed Vimal that it could not fulfill the contract due to a financial crisis and increased customs duties affecting profitability, leading them to cancel the order. Vimal claimed that the contract was frustrated and sought to recover his advance deposit and consequential losses.

The company contended that the force majeure clause protects them from liability and that the doctrine of frustration does not apply since the contract covers unforeseen events.

Advice both parties whether their arguments are valid in the given scenario with reference to relevant statutory provisions and case law.

(10 marks)

3. Bandula, a 70-year-old retired bank manager, lives in Colombo with his 65 year old wife Amanda, who suffers from dementia and struggles with daily activities due to forgetfulness. Bandula is her only support. Their tenant, Bala, a young teacher, often assists the couple. However, when Bandula fell seriously ill and was hospitalized, Bala persuaded Amanda to sell their house to him for Rs. 2.5 million, knowing its actual value was Rs. 4 million. Bala claimed he genuinely cared for them and would continue to support them after the sale. Trusting his intentions, Amanda agreed to the sale. Before his hospitalization, Bandula saw an advertisement on a website and had entered into a contract with Namal, to purchase a used washing machine for Rs. 50,000. Namal assured Bandula that the washing machine had never had any issues, despite knowing it had been repaired twice previously. Bandula paid the full amount online with his debit card. After being discharged from the hospital, he found that the washing machine did not work properly on its first use itself.

Amanda and Bandula are seeking your legal advice regarding these transactions.

Advise them whether these transactions can be set aside and if they are entitled to any remedies. Support your answer with valid legal reasoning and relevant case law.

(20 marks)

4. Spark House Ltd, a company that specializes in CCTV camera installations, entered into a contract with South Wings Ltd to install CCTV cameras in 150 apartments within a three-month timeframe. The contract included a clause stating that Spark House Ltd shall not be liable for any indirect or consequential losses arising from a breach of contract, unless caused by undue delays in completing the work.

South Wings Ltd provided access to the properties 10 days later than the agreed date. Although Spark House Ltd began its work, it encountered challenges that prevented it from completing the installation within three months due to delays in the shipment of CCTV cameras from China and a shortage of staff. Ultimately, the installation took five months to complete.

Additionally, South Wings Ltd discovered that several CCTV cameras were malfunctioning due to poor quality. Spark House Ltd refused to replace the defective cameras claiming that the contract did not include any express provisions for post installation maintenance. The two-month delay and poor quality of the products resulted in South Wings Ltd losing a total of Rs. 7.5 million from the apartment owners.

South Wings Ltd argues that Spark House Ltd is in breach of contract and seeks to terminate the contract and recover the Rs. 7.5 million loss, along with the cost of replacing the defective cameras. Spark House Ltd, on the other hand, relies on the exemption clause in the contract, asserting that it bears no liability since there was no undue delay on its part.

Evaluate the legal issues arising in the above scenario. Advise South Wings Ltd on its legal position in the given situation and identify any potential remedies available.

(20 marks)