

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF LAW

BACHELOR OF LAWS EXAMINATION, YEAR III – 2017

BUSINESS LAW

(Three Hours)

Total Number of Questions: 07

Answer **FOUR** questions only **including question No.1.**

(Candidates will be penalised for illegible handwriting.)

1. Answer the following questions with reference to appropriate statutory provisions and decided cases:

- (i) A cheque is drawn by Sena stating the amount as Rs.13,000/- in figures and Rupees Thirty Thousand in words.
Can the payee claim that the cheque be realised in his favour? If so, for what amount?
- (ii) Sena writes a cash cheque for Rs.100,000/- . He receives a call before he signs it and he leaves the place leaving behind the unsigned cheque. His clerk takes the cheque, signs it as 'Sena' and negotiates it to Mahesh who takes it for value. The cheque is dishonoured with a remark 'signature differs'.
Has Mahesh got any rights?
- (iii) Sena in Nuwara Eliya sells 1000 k.g of BOP fannings tea to Mahesh in Colombo. Before the goods are received and before inspection Mahesh sells the goods to four sub-buyers. When the goods are received in Colombo Mahesh finds that those are not BOP fannings, but inferior quality dust tea.
What are the rights of Mahesh?
- (iv) Sena sells 1000 k.g grapes to Mahesh who tenders a cheque for the price. The cheque is dishonoured. The goods are still in the possession of Sena.
What are the remedies available to Sena?
- (v) Nauffer, a wealthy businessman in Saudi Arabia exports food products to many countries including Qatar. He appoints Fauzi as his agent to look after his business in Qatar. In this regard Fauzi enters into many contracts in Qatar. Recently Saudi Arabian government terminated all diplomatic relations with Qatar.
What is the effect of the contracts entered into by Fauzi on behalf of Nauffer?

2. Sale of Goods Ordinance give much attention to the passing of property from the seller to the buyer.
What are the objectives behind the importance of passing of property in goods?
Do you think passing of property is not only important in theory, but vital in practice as well?
Give critically evaluated reasons to your answers quoting relevant provisions and case law.
3. Answer the following questions by giving reasons with reference to appropriate statutory provisions:
- (i) A draws a bill on B in favour of C. After the acceptance of the bill by B it is negotiated to D who negotiates it to B.
What is the legal position of the bill?
 - (ii) A duly written bill is not presented for payment until the lapse of three months from the date that is written on it.
Has the holder of such bill got any rights on such a bill?
 - (iii) A payee of a bill indorses it with the words 'pay X on his birthday that is on the 1st of October 2016'. X presents the bill for payment on th 20th September 2016 and it is paid.
Discuss.
4. Raja draws a cheque for Rs,75,000/- on Tokyo Bank in favour of M/s. Mohan Brothers. Consider the following, giving reasons to your answer quoting relevant statutory provisions and decided cases:
- (i) Aruni, a clerk employed at M/s. Mohan Brothers forges the signature of one of the partners of the firm to endorse the cheque and obtains payment.
Is Tokyo Bank liable to M/s. Mohan Brothers?
 - (ii) M/s. Mohan Brothers duly endorses the cheque in favour of Henry who takes it for value. Henry misplaces the cheque which is found by Sanjay. The cheque is paid through Madras Bank in which Sanjay has an account.
Is Madras Bank liable to Henry?
5. (i) Sarath in Colombo sells 5000 crape rubber sheets to Patrick in United Kingdom for US\$ 25,000, on CIF terms and to be delivered at the port of London. Sarath transports the rubber sheets to Colombo port and loaded same on board the ship *LL Martin* as designated by Patrick. Due to an error in counting, only 4992 sheets are loaded. The ship's bill of lading however shows a quantity of 5000 crape rubber sheets. Sarath signs the bill of lading to Patrick in exchange for payment in full for the goods. When the ship *LL Martin* arrives in London, the quantity error is discovered, and Patrick sues the shipowner for the loss of value of the missing rubber sheets.
- Advice the shipowner of *LL Martin* with reference to the necessary legal principles and case law.

- (ii) Under the above scenario, assume that the ship *LL Martin* is caught in rough seas of the Indian Ocean when transporting goods from Colombo port to London and sea water enters into the ship which submerged the containers in which the rubber sheets are packed. When the ship arrives in London port the buyer discovers certain portion of the goods are damaged due to sea water entering into the container.

Advice the buyer with reference to the relevant provisions in the Hague Visby Rules of 1968 as amended, Carriage of Goods by Sea Act 1982 and case law.

6. 'It is well recognised law that where a solicitor starts proceedings in the name of a plaintiff ... without authority, the plaintiff may ratify the act of the solicitor and adopt the proceedings. In that event, in accordance with the ordinary law of principal and agent and the ordinary doctrine of ratification the defect in the proceedings as originally constituted is cured . . The reason is that by English law ratification relates back to the unauthorised act of the agent which is ratified.'

Per Dillon LJ in *Presentaciones Musicales SA v. Secunda* [1994] 2 All ER 737, [1994] Ch 271

Reflect upon the above statement by focusing on the doctrine of ratification and the conditions under which it is generally used in the law of agency. Your answer should draw attention of the relevant case law.

7. Sandeep, a Sri Lankan cricket fan residing in Australia, came to Sri Lanka for a short holiday. He purchased a 24-inch remote control colour television and a home theater video set for Rs. 100,000/- from Danny and Company Ltd (Danny), Colombo 12 which sells electronic instruments. He paid for it using his Visa credit card.

What are the rights of Sandeep under the following circumstances? You are required to quote appropriate principles, statutory provisions and decided cases.

- (i) While Sandeep was watching the television, a day after the purchase, there was a flash and a puff of smoke from the back of the television and the screen went blank. Sandeep suffered from breathing difficulties after the incident and was immediately admitted to a hospital in Colombo.
- (ii) Sandeep purchased the television after a perusal of the company catalog that describes it as '24" colour television' and a sample that was displayed in the show room was shown to him by the company sales manager. When he started using it he found that it was a black-and-white television and not a colour television.
- (iii) When Sandeep was watching the television, the OIC of Modara Police entered with a search warrant and told him that the real owner of the television was Wilmat and Sons. The police seized the television stating it was a stolen property.