

INSTITUTE OF LEGAL EXECUTIVES

UNIT 2 – CONTRACT LAW*

Time allowed: 1 hour and 30 minutes plus 15 minutes reading time

Instructions to Candidates

- You have **FIFTEEN** minutes to read through this question paper before the start of the examination.
- **It is strongly recommended that you use the reading time to read the question paper fully.** However, you may make notes on the question paper or in your answer booklet during this time, if you wish.
- **The question paper is divided into TWO sections. You must answer ALL the questions from Section A. There are three scenarios in Section B. You must answer the questions relating to ONE of the scenarios in Section B ONLY.**
- Write in full sentences – a yes or no answer will earn no marks.
- Candidates must comply with the ILEX Examination Regulations.
- Full reasoning must be shown in answers. Statutory authorities, decided cases and examples should be used where appropriate.

Information for Candidates

- The mark allocation for each question and part question is given and you are advised to take this into account in planning your work.
- Write in blue or black ink or ball point pen.
- Attention should be paid to clear, neat handwriting and tidy alterations.
- Complete all rough work in your answer booklet. Cross through any work you do not want marked.

Do not turn over this page until instructed by the Invigilator.

* This unit is a component of the following ILEX qualifications: **LEVEL 3 CERTIFICATE IN LAW AND**

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SECTION A

(Answer ALL questions in Section A)

1. Offer and acceptance are two of the elements of a binding contract. Name the other **two** elements?

(2 marks)
2. What is the definition of an offer?

(2 marks)
3. Explain the difference between an invitation to treat and an offer.

(3 marks)
4. Explain what is meant by the rule that 'performance of an existing contractual duty is not good consideration'.

(3 marks)
5. Explain the law about intention in social or domestic agreements.

(3 marks)
6. State any **three** terms implied by sections 12-15 of the Sale of Goods Act 1979.

(3 marks)
7. (a) Identify the remedy available for a breach of warranty.

(1 mark)

(b) Explain the remedies available for a breach of condition.

(4 marks)

(Total: 5 marks)
8. Define a misrepresentation.

(2 marks)
9. Explain whether an opinion could amount to a misrepresentation.

(3 marks)
10. Explain the rule that performance of a contract should be complete and exact.

(2 marks)
11. Give an example and a case of when damages may be awarded for loss of enjoyment following a breach of contract.

(2 marks)

(Total Marks for Section A: 30 marks)

SECTION B

(There are three scenarios in Section B. Answer the questions relating to **ONE** of the scenarios **ONLY**)

Scenario 1

Adam owns and lives in the 'River Hotel' which is next door to his brother Ben's house. They have always looked after each other's properties when either of them is away on holiday. While Ben is away on holiday there is a period of cold weather causing a pipe in Ben's garage to burst. Adam telephones Ben to tell him that a pipe has burst in his garage and Ben agrees that Adam should repair the pipe for £150. After carrying out the repair, Adam then decides to repaint the garage wall, as it had been damaged by water from the burst pipe.

When Ben returns, he thanks Adam for his help but refuses to pay him the £150 for fixing the pipe because they are brothers. Adam then asks Ben to pay him £40 for painting the garage wall and Ben agrees to pay Adam the £40.

Chris was interested in purchasing Adam's hotel and Adam told Chris that the business had been doing very well. In fact Adam knew that the hotel had not made any profit in the last 12 months.

When Chris asked to see the hotel accounts Adam handed them over, saying "You don't need to look at them. The profit for the last 12 months has been over £60,000". Chris took the accounts, but he did not bother to look at them. The accounts showed that the hotel had made a loss.

A few weeks later, Chris purchased the hotel and spent £150,000 on modernisation.

Chris agreed with Daljit, his contractor, to fit dark blue carpets in all the hotel bedrooms. Upon completion of the work Chris discovered that Daljit had fitted light blue carpets.

A year after buying the hotel it was still losing money and Chris had to sell it at a loss.

Scenario 1 Questions

1. In relation to the £150:
- (a) Identify what must be proved to establish whether Adam has a valid contract with Ben.
(4 marks)
- (b) As Adam and Ben are brothers, explain whether Adam's claim would be successful.
(4 marks)
(Total: 8 marks)
2. (a) Define what is meant by consideration.
(2 marks)
- (b) In relation to the £40, advise Adam whether or not he has provided good consideration and whether he can successfully claim this money from Ben.
(3 marks)
(Total: 5 marks)
3. (a) Identify and explain the **three** types of misrepresentation.
(6 marks)
- (b) (i) Explain whether Adam's statement about the hotel's profit could be a misrepresentation and, if so, what type.
(5 marks)
- (ii) Explain whether the fact that Chris did not look at the accounts affects his claim for misrepresentation.
(4 marks)
(Total: 15 marks)
4. (a) Explain what is meant by a 'warranty' and a 'condition' in a contract.
(4 marks)
- (b) Explain whether the carpets being the wrong colour would be a breach of a condition or a breach of a warranty.
(2 marks)
- (c) Explain the remedies available to Chris in respect of the wrong colour of the carpets in the case of both a breach of a warranty and a breach of a condition.
(5 marks)
- (d) What is the legal position if the term about the colour of the carpet cannot be classified as a condition or a warranty?
(1 mark)
(Total: 12 marks)

(Total Marks for Scenario 1: 40 marks)

Turn over

Scenario 2

Daniel owns 'Daniel's Superstore' and is clearing his stock of old computer games. He places an advertisement in the local daily newspaper on Tuesday 22 May which states:

**Daniel's Superstore
Special Offer Monday 30 May
1 free computer game
for the first 20 customers through the door**

Daniel realises he cannot afford the promotion so on Thursday 26 May he places a notice in the local daily newspaper withdrawing the promotion.

On Tuesday 24 May Eloise sees the newspaper advertisement and is the first in the queue outside the store on Monday 30 May. On entering the store Daniel tells her that the promotion has been withdrawn.

Later that day Eloise also visits Fatima's music shop and sees a CD, 'Greatest Hits' by Sharon, her favourite singer. After some negotiation Fatima makes an offer to sell the CD to Eloise at a reduced price of £10. Eloise agrees to buy the CD but asks whether a poster of 'Sharon' is included. Fatima refuses to include the poster and will no longer sell the CD to Eloise at the reduced price of £10.

Whilst Eloise is still in the music shop, she also sees a notice for a ticket priced at £100 to see Sharon in concert. Fatima offers the ticket to Eloise for £50. Eloise says she will telephone Fatima and let her know if she is accepting her offer of the ticket once Eloise has checked her bank balance.

Eloise leaves a message on Fatima's answer-phone at 3.30pm confirming that she wants the ticket. Fatima does not listen to the message and sells the ticket to another customer at 5.00pm for £100, just as the shop was closing. The only other available tickets are now selling online for £250 each.

Scenario 2 Questions

1. (a) Explain whether an advertisement is usually an invitation to treat or an offer.

(4 marks)
- (b) Advise Eloise whether or not she is entitled to the free computer game from Daniel and why.

(4 marks)
- (c) Explain the requirements for an offer to be revoked.

(3 marks)
- (d) Assume for the purposes of this part of the question that the advertisement on Tuesday 24 May is an offer. Explain whether Daniel has revoked this offer.

(3 marks)
(Total: 14 marks)

2. In relation to the CD:

Advise Eloise whether or not she has a contract with Fatima for the 'Greatest Hits' CD.

(10 marks)

3. Advise Eloise what effect, if any, Fatima's failure to listen to her answer-phone message has in relation to the ticket.

(5 marks)

4. (a) Explain the remedies of:

(i) damages;

and

(ii) injunctions.

(7 marks)

- (b) Assume for the purposes of this question that Eloise has a binding contract for the CD.

Explain whether or not she would be entitled to an order of specific performance.

(4 marks)

(Total: 11 marks)

(Total Marks for Scenario 2: 40 marks)

Scenario 3

Hassan and Jamal

Hassan owns a pizza restaurant, which provides a home delivery service. The summer is Hassan's busiest time of the year as he supplies pizzas to holiday makers at a number of local camp-sites. Last summer, Hassan's regular driver was away for two months and Hassan employed Jamal, a university student, as a replacement driver. Jamal agreed to make the deliveries in June and July in return for the minimum wage.

Jamal commenced work on 1 June, and after three weeks, Jamal told Hassan that he would only continue working if Hassan would pay him an extra £1 per hour. Hassan agreed to this and Jamal continued delivering pizzas.

Hassan and Ian

Hassan purchased a new freezer from Ian's shop. Two days later Hassan noticed that the freezer had stopped working and as a result the contents were ruined. The contents of the freezer were worth £300.

Hassan and Mark

Hassan had also ordered some new sign-writing on his vans from Mark. The following wording was agreed:

Hassan's Pizza Delivery Service Fresh home-cooked pizza Delivered right to your door Tel. 09125 212212

Unfortunately, when Mark had finished, the sign read 'Hassin's Pizza Delivery Service'. It also read 'Frozen' instead of 'Fresh', and the telephone number was incorrect. Hassan was furious and demanded that the sign writing should be corrected. Mark refused, stating that he had done what they had agreed.

Hassan and Leonard

Hassan agreed with Leonard, an electrician, that Leonard would re-wire the pizza restaurant. He paid Leonard an £800 deposit with the balance of £1,000 payable on completion of the work.

Work was due to commence on the 15 September but unfortunately, early that morning the restaurant was completely destroyed by a fire started by vandals.

Scenario 3 Questions

1. Hassan refuses to pay Jamal the extra £1 per hour. Explain to Hassan whether he has provided valid consideration in respect of the agreement for Hassan to pay Jamal an extra £1 per hour.

(10 marks)

2. (a) Explain the implied terms which have been breached in respect of the freezer.

(4 marks)

- (b) Assume that Hassan does have a claim for breach of a contractual term. Advise him on what basis the court will assess his loss for the contents of the freezer.

(6 marks)

(Total: 10 marks)

3. (a) Explain the differences between a condition and a warranty.

(6 marks)

- (b) Advise Hassan whether Mark is in breach of any conditions or warranties under their contract.

(6 marks)

(Total: 12 marks)

4. (a) Explain the effect of the fire on the contract between Hassan and Leonard.

(4 marks)

- (b) Explain whether Hassan can recover his deposit from Leonard and if so, on what basis.

(4 marks)

(Total: 8 marks)

(Total Marks for Scenario 3: 40 marks)

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