



THE CHARTERED 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 CILEX 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 CILEX qualifications: **LEVEL 3 CERTIFICATE IN LAW AND PRACTICE** and **LEVEL 3 PROFESSIONAL DIPLOMA IN LAW AND PRACTICE**

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SECTION A

(Answer ALL questions in Section A)

1. Identify **two** requirements for the formation of a valid contract.
(2 marks)
2. Define an invitation to treat.
(1 mark)
3. Define an offer and identify **two** ways in which an offer may be terminated.
(3 marks)
4. (a) Define consideration.
(1 mark)
(b) Identify and explain, using relevant case law, **two** of the rules governing consideration.
(4 marks)
(Total: 5 marks)
5. (a) Describe, using relevant case law, the general presumption which arises in social or domestic agreements.
(2 marks)
(b) Identify, with reference to case law, **two** circumstances in which this presumption may be rebutted.
(4 marks)
(Total: 6 marks)
6. (a) Identify **one** term which may be implied in a contract by statute, naming the Act and section number.
(2 marks)
(b) Identify **one other way** in which a term may be implied in a contract.
(1 mark)
(Total: 3 marks)
7. Identify the remedy available for the breach of a warranty.
(1 mark)
8. Anne was selling her car. She told Balvinder that it had done only 50,000 miles although she knew that it had done 200,000 miles. Balvinder believed this statement and bought the car.

Explain what would need to be established for a claim in misrepresentation.
(4 marks)
9. State **three** ways in which a contract may be discharged.
(3 marks)
10. Identify **two equitable** remedies which may be available to a claimant 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

On 1 December, Ali, a classic car dealer, placed the following advertisement in the Kempston Advertiser:

FOR SALE
Classic 1972 model "Youngsmobile" Motorcar
£10,000
Telephone Ali on 01234 857411

On 3 December Bev telephoned Ali and asked him whether he would accept £9,000 for the car. Ali refused. Ali then said that he would accept £9,500 for the car for a quick sale if Bev paid by 10 December.

Bev told her friend Charlie that she was going to buy the car. On 5 December, Ali accepted an offer from Charlie of £10,000 for the car. Charlie immediately told Bev that he had bought the car and that it was no longer for sale.

Don told his friend Emma that he was thinking of selling a painting and Emma said that she might be interested in buying it. On 2 January, Emma wrote to Don, offering him £5,000 for it. She enclosed a cheque for this sum. In her letter, she said "if I hear nothing by 8 January I will assume the painting is mine". Don tore up Emma's cheque and sold the painting to Farah for £6,000.

George had lost his dog, Ruffles.

He put up a number of notices as follows:

LOST DOG
Answers to the name of Ruffles
£25 reward for Ruffles' safe return
to her owner, George, at Flat 2b
The Manor, Kempston

Ian sees one of the notices, finds the dog and returns it to George at his flat. Ian asks for the reward and George refuses to pay him.

Scenario 1 Questions

1. Explain the legal effect of Ali's advertisement.

(6 marks)

2. (a) Identify and explain the requirements for a valid contract.

(10 marks)

(b) Explain whether or not a valid contract exists between Ali and Bev.

(8 marks)

(c) **Assume for the purposes of this part of the question only that Bev had given Ali some classic car accessories in return for Ali's agreement to keep the offer open until 10 December.**

Explain whether or not Ali is obliged to keep the offer to Bev open until the 10 December.

(3 marks)

(Total: 21 marks)

3. Explain whether or not Don's sale of the painting to Farah amounts to a breach of contract with Emma.

(7 marks)

4. Explain whether or not a valid contract exists between George and Ian and whether Ian is entitled to be paid the £25 reward.

(5 marks)

(Total Marks for Scenario 1: 40 marks)

Turn over

Scenario 2

David is a self-employed painter and decorator.

Edina is a regular customer with whom he has built up a relationship of trust and she is happy to accept verbal quotations. She has asked David to decorate her hall, stairway and landing. Edina bought the materials and David told her that he would charge his "normal hourly rate" to carry out the work. Edina told David to "go ahead". His normal hourly rate was £50 per hour and he had always charged Edina at this rate.

The job took David 20 hours to complete. At the rate of £50 per hour, Edina would have had to pay David £1,000. Edina was very pleased with the finished job and told David that she would pay him an extra £5 per hour. A neighbour then told Edina that he had just paid David £40 per hour for a similar job.

David sent Edina a bill for £1,100 (20 hours at £55 per hour, which included the extra £5 she agreed to pay). Edina told David that this was too much and that she would only pay £800 (20 hours at £40).

David also has a contract with Francesca to paint the exterior of her son Gianni's house. It was agreed that the work was to be carried out before Gianni's wedding on 1 November. Due to bad weather, the work had not been started by 23 October and Francesca was getting worried that the work would not be done on time.

The weather improved and Francesca told David that, if the work was completed on time, she would pay David an extra £500. David completed the work within this time on 30 October.

Scenario 2 Questions

1. Explain:
- (a) the rule relating to past consideration;
(2 marks)
 - (b) the exceptions to the rule;
(2 marks)
 - (c) whether David can claim the additional sum of £5 per hour from Edina.
(3 marks)
(Total: 7 marks)
2. (a) State how an express term is incorporated into a contract.
(2 marks)
- (b) Identify and explain the ways in which an implied term may be incorporated into a contract.
(6 marks)
- (c) Explain whether David's statement 'my normal hourly rate' could be incorporated into the contract as an implied term.
(2 marks)
(Total: 10 marks)
3. Explain:
- (a) the doctrine of privity of contract;
(2 marks)
 - (b) the exceptions to this doctrine;
(4 marks)
 - (c) **For the purpose of this part of the question only, assume that the painting of Gianni's house was not completed on time.**

Explain whether Gianni would be able to make a claim against David.
(4 marks)
(Total: 10 marks)
4. (a) Explain what is meant by the rule that consideration must be sufficient.
(5 marks)
- (b) Explain whether David is entitled to the additional £500 promised by Francesca.
(8 marks)
(Total: 13 marks)
- (Total Marks for Scenario 2: 40 marks)**

Turn over

Scenario 3

Harry, a manufacturer, wanted to retire. His business had some good contracts. For this reason, Imran wanted to buy the business. Harry showed Imran the accounts for the last three years, his orders for future work not yet carried out, and the debts owed to the business.

The accounts showed a profitable business with good future potential and Imran therefore signed a contract to buy the business. He later took copies of the accounts to his accountant. The accountant pointed out several errors and also that the business was only just making a profit.

Imran also discovered that, after Harry had provided him with the accounts and information, but before he signed the contract, one of Harry's biggest debtors had gone out of business owing Harry £10,000. When Imran complained that Harry had not told him about the £10,000 owed, Harry merely said "that's for me to know and you to find out".

Imran had a contract to provide equipment for the refurbishment of a factory in a Middle Eastern country. He had received an initial payment of £250,000 with the balance to be paid by instalments at intervals during the contract. He had all the necessary export permits by September.

In December the Government passed a law banning trade with the country concerned.

Scenario 3 Questions

1. Explain:

(a) the **three** types of misrepresentation;

(8 marks)

(b) whether Imran could bring a successful claim against Harry for misrepresentation.

(9 marks)

(Total: 17 marks)

2. **Assume for the purposes of this question that Imran is successful in his claim against Harry.**

Explain:

(a) the remedies available for the **three** types of misrepresentation;

(6 marks)

(b) to Imran which remedies may be available to him.

(5 marks)

(Total: 11 marks)

3. (a) Explain what is meant by frustration of a contract and identify the circumstances in which a contract might become frustrated.

(4 marks)

(b) Explain whether or not Imran's contract to supply equipment to the Middle Eastern country has been frustrated.

(5 marks)

(Total: 9 marks)

4. Explain whether Imran will be able to keep the initial payment of £250,000.

(3 marks)

(Total Marks for Scenario 3: 40 marks)

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