



## 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**

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**SECTION A****(Answer ALL questions in Section A)**

1. Identify **three** requirements for the formation of a valid contract.  
**(3 marks)**
2. Identify and explain **two** ways in which an offer may be terminated.  
**(4 marks)**
3. Explain how a unilateral offer is accepted.  
**(2 marks)**
4. State **one** exception to the rule in Pinnel's case (1602).  
**(1 mark)**
5. Explain the presumptions which exist in respect of intention to create legal relations.  
**(4 marks)**
6. Give **two** examples of terms implied under Part II of the Supply of Goods and Services Act 1982.  
**(2 marks)**
7. Explain what is meant by a 'condition' and a 'warranty'.  
**(4 marks)**
8. Identify the remedies available for innocent misrepresentation.  
**(3 marks)**
9. Explain **two** ways in which a contract may be discharged.  
**(4 marks)**
10. Explain the rule in Hadley v Baxendale (1854).  
**(3 marks)**

**(Total Marks for Section A: 30 marks)**

## SECTION B

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

### Scenario 1

Bev and Andy are planning their wedding for May. Their respective fathers, Charles and Ian, entered into an agreement that each of them would pay Bev and Andy £10,000 towards the cost of the wedding.

Ian has paid his £10,000. However, Charles died before paying his share. Bev and Andy ask Dan, Charles's personal representative, for Charles's £10,000. Dan has refused to pay.

Bev and Andy own a house in Kempston. While they were on honeymoon their neighbour, Jane, watered their plants and mowed the lawn. When Bev and Andy returned, Bev was so pleased with the garden that she promised to pay Jane £50 but later refused to pay.

Some weeks later, while in the garden, Andy witnessed an assault on Eddie. Andy received a witness summons to attend court to give evidence. Andy was frightened to do so as he believed that Eddie's attacker knew where he lived. Eddie offered Andy £100 to give evidence. After Andy gave evidence in court Eddie refused to pay him.

Andy's father, Ian, a doctor, owned a flat and also a private medical practice in London. He intended to sell them.

Gorky, a wealthy Russian, viewed the flat and Ian told him the flat was worth £5,000,000 although Ian knew that it was worth only £2,000,000. Gorky bought the flat for £5,000,000 but has now discovered its true value.

Harry, another doctor, was considering buying Ian's medical practice. A year ago, Ian told him that the annual income from the practice was £3,000,000, which was true at the time. Since then, Ian has been ill and has not worked much. The income for the last year dropped to £600,000 but Ian did not tell Harry this. Harry bought the practice, believing that the income was still £3,000,000 per year.

## Scenario 1 Questions

1. (a) Identify and explain the rules governing consideration.  
**(6 marks)**
  - (b) Explain, using the rules of consideration, whether Bev and Andy could bring a successful action against Dan for the sum of £10,000.  
**(4 marks)**
  - (c) Explain whether Jane could bring a successful action against Bev for the sum of £50.  
**(4 marks)**
  - (d) Explain whether Andy could bring a successful action against Eddie for the sum of £100.  
**(4 marks)**
- (Total: 18 marks)**
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2. (a) Identify and explain the **three** types of misrepresentation.  
**(10 marks)**
  - (b) Explain whether Gorky could bring a successful action against Ian for misrepresentation.  
**(6 marks)**
  - (c) Explain whether Ian's statement that the annual income of his practice was £3,000,000 is a misrepresentation.  
**(6 marks)**
- (Total: 22 marks)**

**(Total Marks for Scenario 1: 40 marks)**

## Scenario 2

Eduardo is soon to marry Fiona. His 'best man', Graham, arranged a pre-wedding party for Eduardo and his friends. Graham saw the following advertisement in 'Weddings' magazine:

**Unforgettable Parties**

**Long weekend at a luxury hotel in Prague including 5 course meal and champagne.**

**Don't delay. Book with Imran of Happy Weekends Ltd**  
**Tel: 01111 11111**

Graham telephoned Imran at his office in London and asked whether the hotel was in central Prague because this was important to the party. Imran said that it was in central Prague, just off Wenceslas Square.

Graham asked the price for 10 people and was told that this was £5,000. As this was a last-minute booking, Graham offered £4,500. Imran agreed to this figure and Graham booked for a party of 10 at that price. Imran then wrote to Graham confirming the booking in accordance with the advertisement and their telephone conversation.

When Eduardo and his friends arrived in Prague, they found that the hotel was a long way from the city centre and there was a booking for only eight people. The meal in the hotel had only three courses and there was no champagne.

While Eduardo was away, Fiona went to buy her wedding dress from Jen's Boutique. Fiona found the dress that she liked and asked Jen how much it was. Jen said the price of the dress was £1,000.

Fiona offered to buy the dress from Jen for £800 and Jen said that she would accept £900. Another customer, Kate, also saw the dress and offered Jen £950 for it. Jen accepted Kate's offer of £950. Fiona then offered Jen the full asking price of £1,000.

## Scenario 2 Questions

1. (a) (i) Define an offer and explain how an offer can be made. **(5 marks)**
- (ii) State to whom an offer can be made. **(2 marks)**
- (iii) Explain the rule that 'an offer must be sufficiently certain'. **(2 marks)**
- (b) Explain what is meant by an invitation to treat giving examples to illustrate your answer. **(5 marks)**
- (c) Using the given facts, explain the stages which Graham and Imran go through to reach a valid agreement. **(6 marks)**
- (Total: 20 marks)**

2. Explain:

- (a) the circumstances in which a representation made outside the contract may be considered an implied term of the contract; **(8 marks)**
- (b) whether the advertisement and the telephone conversation became terms of the contract between Graham and Imran. **(6 marks)**
- (Total: 14 marks)**

3. Advise Kate whether Jen has entered into a valid agreement to sell her the wedding dress. **(6 marks)**

**(Total Marks for Scenario 2: 40 marks)**

### Scenario 3

Narinder is a builder.

Narinder has entered a contract with Omar to build an extension to Omar's house for £40,000. He has almost finished the extension but cannot obtain the special floor tiles which Omar wanted installed. He has therefore installed some slightly different floor tiles. Omar still wants the original tiles specified in the contract and is refusing to pay Narinder all or any part of the contract price until the contract is fully completed. The cost of replacing the wrong tiles is £750.

Narinder also had a contract with Pam to install a second kitchen and bathroom at her house for £10,000. The alterations would enable Pam's mother to come to live with her. Narinder had finished the bathroom and was about to begin work on the kitchen when Pam's mother died. Pam therefore told Narinder to stop work on the second kitchen.

Pam's sister, Queenie, owns two theatres, the 'Grand' and the 'Excelsior'.

Queenie hired Raj for a show at the 'Grand'. His contract required him to attend three rehearsals before a 14 day run of the show beginning on 9 November. Raj was ill and missed the first two rehearsals. Queenie, therefore, hired another act to take his place for £2,500. Raj recovered in time for the final rehearsal and the 14 day run of the show.

Queenie also hired Sadia, a well-known singer, to take the lead part in a musical show at the 'Excelsior'. Her contract also required her to attend three rehearsals before a seven day run of the show beginning on 10 November and she was paid an advance of £5,000. Sadia used £500 of this money to rent a flat for the duration of the show. Unfortunately, the 'Excelsior' burned down on 5 November and the show had to be cancelled.

Sadia cannot recover the £500 from her landlord.



### Scenario 3 Questions

1. (a) A contract is discharged when it is performed entirely. Identify and explain four exceptions to this rule.

**(8 marks)**

Applying the relevant exceptions referred to in part (a), explain:

- (b) whether Narinder could bring a successful action against Omar for the £40,000 contract price for the extension;

**(3 marks)**

- (c) whether Narinder could bring a successful action against Pam for the work done on the bathroom.

**(3 marks)**

**(Total: 14 marks)**

2. Explain:

- (a) the remedies available to an innocent party for the breach of a condition in a contract;

**(5 marks)**

- (b) the remedy available to an innocent party for the breach of a warranty;

**(2 marks)**

- (c) what remedy may be available to Queenie in respect of Raj's failure to attend the first two days of rehearsal.

**(6 marks)**

**(Total: 13 marks)**

3. Explain:

- (a) the effects of frustration at common law;

**(4 marks)**

- (b) whether the contract between Queenie and Sadia is frustrated;

**(2 marks)**

- (c) what is the effect of frustration on the contract between Queenie and Sadia.

**(7 marks)**

**(Total: 13 marks)**

**(Total Marks for Scenario 3: 40 marks)**

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