



FACULTY OF ARTS AND LAW
SCHOOL OF LAW

COURSE NAME:	CONTRACTS I
COURSE NO:	LA201
TIME ALLOWED:	3 hours
READING TIME:	10 minutes
NUMBER OF PAGES:	5 including this page
NUMBER OF QUESTIONS ON PAPER:	6 (Six)
NUMBER OF QUESTIONS TO BE ANSWERED:	5 (Five) Only
MARK ALLOCATED FOR EACH QUESTION:	10 (Ten)
TOTAL MARKS:	50 (Fifty)

MATERIALS PERMITTED IN EXAM ROOM:

None (This is a closed book exam!)

SPECIAL INSTRUCTIONS

- Attempt **5 questions only** in the exam;
- Some questions may have a number of parts in which case all parts are to be attempted;
- You may cite cases and legislation in support of your answers to the questions;
- This examination has a minimum pass mark of **20** marks.

Please do not turn over any page until you are told to do so.

Approved
Munir 4/5/16

LA201 CONTRACTS I – EXAMINATION PAPER

QUESTION 1 (10 marks)

Read the following facts and address the question:

Sanjay, a businessman, orders and sells trampolines for schools in Port Vila. He inquired to Safetytramps on 1 January and on 5 January Safetytramps sent a letter to him which stated:

"Thank you for your letter of 1 January. We are willing to supply 20 trampolines made to specifications in your letter at cost of \$400 each, including delivery to you by 31 March."

Sanjay received this letter on 7 January. Sanjay replied the letter on 8 January to Safetytramps saying:

"I accept your offer to supply trampolines as specified at a cost of \$400 each, including delivery by 31 March. Please supply 18 trampolines at the stated price."

On 10 January, Safetytramps received Sanjay's letter and replied by facsimile the same day:

"Thank you for your letter of 8 January. Our offer was for 20 trampolines at the special price of \$400 each. For less than 20 trampolines, our usual price is \$440 each."

On 20 January, Sanjay wrote to Safetytramps saying that he had found another manufacturer to do the job. This letter reached Safetytramps on 23 January, but on 21 January Safetytramps had posted a letter stating:

"After further consideration, we have decided to make special exception in this case, in the hope that we will be able to do business with you again in the future. We accept your order for 18 trampolines at a cost of \$400 as per your letter of 8 January."

When Sanjay received the letter on 24 January, he immediately rang Safetytramps, but the General Manager, said that they had concluded the contract, and she threatened to take the matter to court.

Advise Sanjay of the legal arguments and case authorities which could be raised on his side if the matter went to court and whether Safetytramps is likely to succeed in their claim against him.

QUESTION 2 (10 marks)

Peter is a Building Contractor and is the manager and owner of his construction company. In 2005, the following events took place:

- (a) In July, a client who owed Peter 600,000 vatu for a new swimming pool that Peter's company had built for him had gone bankrupt. Peter advised the client he would accept his brand new Jack-hammer machine worth 300,000 vatu in full settlement and promised not to seek the remaining amount. The client then delivered the brand new Jack-hammer to Peter's warehouse with a letter marked "in full settlement of your invoice". In March 2006, Peter finds out that the same client is now the CEO of a company. Can Peter claim the outstanding 300,000 vatu? **(3 marks)**
- (b) In September, a fire broke out on one of the constructions sites where Peter's company was building a block of flats. Peter rang the Fire Service and they arrived 30 minutes later. He told the 2 firemen on duty that he would give them 100,000 vatu reward each for stopping the fire. The firemen stopped the fire using their normal equipment and machinery. They now approach Peter for the reward. Is Peter legally bound to pay the reward to the two firemen? **(3 marks)**
- (c) In October, Johnny, a very good friend of Peter from his university days, approaches him one evening and says that he is leaving the country and gives him a cheque for 500,000 vatu as a token of their friendship, as he was now leaving for good. In November, Johnny approaches Peter again and says that before he leaves, he would like Peter to renovate his house in order for him to rent it out while overseas. Peter completes the job in one week. In December, Johnny e-mails Peter from New York and thanks him for the renovations as he had seen the photo sent by Peter and states that the 500,000 vatu cheque should be sufficient for the renovation. The work cost 700,000 vatu. Did Peter and Johnny have a valid contract, was the consideration sufficient and can Peter recover the balance of 200,000 vatu? **(4 marks)**

QUESTION 3 (10 marks)

“On occasions equitable estoppel may achieve the same purpose as a contract. However, that is not to suggest that equitable estoppel supplants contract law.”

Discuss this statement in light of the judgments of Mason CJ and Wilson J in *Walton Stores (Interstate) Ltd v Maher* (1988) 164 CLR 387. You should include in your answer a reference to any differences between equitable estoppel and contract.

QUESTION 4 (10 marks)

✘ Answer both parts of the question:

- (a) Explain the doctrine of privity of contract. Identify and explain at least 3 exceptions of the doctrine of privity of contract. For each exception, explain how it becomes an exception, and the legal aspects of such an exception. You may use case law to support your answers. (5 marks)
- (b) Explain the parole evidence rule and how it operates. Identify and explain at least 4 exceptions to the parole evidence. These are situations, in contract, where the parole evidence rule will not apply. (5 marks)

✘ QUESTION 5 (10 marks)

- (a) Explain the postal rule and state the case which is the authority on this rule? (2.5 marks)
- (b) Why is silence not acceptance and what are the exceptions to this rule? (2.5 marks)
- (c) What is the difference between termination of an offer and withdrawal of an offer? (2.5 marks)
- (d) In what circumstances can it be said that it is not necessary for the offeree to communicate his or her acceptance of the offer. (2.5 marks)

QUESTION 6 (10 marks)

Read this quote and write a paragraph on each of the questions:

“The common law, adopting a dichotomy enshrined in the Sale of Goods Act 1893 (UK), attempted to classify contractual promises into two categories – *conditions* and *warranties*. This division was never entirely satisfactory. For one thing, the terminology was confusing: both condition and warranty had other meanings in the law.”

- (a)** What is the meaning, in contract law, of a condition and what are the consequences for a breach of a condition? **(2.5 marks)**
- (b)** What is the meaning, in contract law, of a warranty and what are the consequences for a breach of a warranty? **(2.5 marks)**
- (c)** What is the meaning, in contract law, of an intermediate or innominate term of a contract and what are the consequences for a breach of each? **(2.5 marks)**
- (d)** Give any 2 reasons why it is practically difficult to categorise terms in a contract as a condition or a warranty. **(2.5 marks)**

END OF PAPER