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**FACULTY OF ARTS AND LAW  
SCHOOL OF LAW**

<b>COURSE NAME:</b>	<b>CONTRACTS I</b>
<b>COURSE NO:</b>	<b>LA201</b>
<b>TIME ALLOWED:</b>	<b>3 hours</b>
<b>READING TIME:</b>	<b>10 minutes</b>
<b>NUMBER OF PAGES:</b>	<b>4 including this page</b>
<b>NUMBER OF QUESTIONS ON PAPER:</b>	<b>6 (Six)</b>
<b>NUMBER OF QUESTIONS TO BE ANSWERED:</b>	<b>5 (Five) Only</b>
<b>MARK ALLOCATED FOR EACH QUESTION:</b>	<b>10 (Ten)</b>
<b>TOTAL MARKS:</b>	<b>50 (Fifty)</b>

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**MATERIALS PERMITTED IN EXAM ROOM:**

None (This is a closed book exam!)

**SPECIAL INSTRUCTIONS**

- All Candidates in this exam must complete the **Compulsory Question** which is **Question 1, any four (4) of the remaining questions**;
- 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 should cite cases and legislation in support of your answers to the questions.

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

Approved: *J. R. O. P. S. W.* 19/05/07  
(HOS)

## LA201 CONTRACTS I – EXAMINATION PAPER

### QUESTION 1 - COMPULSORY QUESTION (10 marks)

**Read the following facts and address the question:**

Maui wrote to Tane on 1<sup>st</sup> March saying “*I am now in a position to be able to sell you my sandalwood plantation on Reika Island, at a price to be fixed by a real estate agent nominated by me*”.

Tane mailed his reply on 2<sup>nd</sup> March saying “*Thank you for your offer to sell me your sandalwood plantation but can you let me know whether you will accept payment in 10 monthly instalments?*”

Tane heard nothing further. Two weeks later Tane wrote to Maui stating that he was now prepared to buy on the terms stated in Maui’s letter. Unfortunately Maui changed his mind.

**Tane has come to you for legal advice on this matter. Write a letter to Tane advising him on the contractual issues that you see arising from the above facts.**

### QUESTION 2 (10 marks)

Write a short essay on each of these questions:

- (a) Explain the doctrine of promissory estoppel.
- (b) What does it mean when it is said that “*the principle of estoppel cannot be used as sword, but only as a shield?*”
- (c) What dangers, if any, do you see occurring if equitable doctrines such as estoppel are allowed to be applied in resolving contractual disputes?

**QUESTION 3 (10 marks)**

Write an essay on the following question:

**Distinguish a unilateral contract from a bilateral contract.**

**(You may refer to any examples and case law from any jurisdiction of the Pacific to support your essay.)**

**QUESTION 4 (10 marks)**

**Answer both parts of the question:**

- (a) Explain the important rule arising in *Re Pinnel's Case* (1602) 77 ER 237. Identify and explain at least 2 exceptions to the rule arising in *Re Pinnel's Case*. You may use case law to support your answers. **(5 marks)**
- (b) Explain what is meant by the term "adequate consideration"? You may use case law to support your answer. **(5 marks)**

**QUESTION 5 (10 marks)**

Read the problem question below and provide the advice required:

John wrote a letter to Peter offering to sell him 25 shares in Reika Limited. In John's letter, which arrived on Tuesday, John asked Peter "*to let me know by Saturday.*"

On Thursday, Peter posted a reply accepting the offer. At 6.00pm on Friday, Peter changed his mind and telephoned John on his mobile phone.

John was not there but his mobile phone answering machine recorded Peter's message stating that he wished to withdraw his acceptance.

On Saturday at 6.30pm John opened Peter's letter, which had arrived that morning and then played back the message on the answering machine of his mobile phone.

**Advise John as to whether his offer has been accepted by Peter?**

**QUESTION 6 (10 marks)**

Jonah is an Electrical Engineer and is the manager and owner of his company. In 2006, the following events took place:

- (a) In May, Jonah's company completed the installation of a new solar power system at a Motel, owned by Fred. Jonah gave Fred a bill of \$5,000.00 (Five thousand dollars). In June, Fred's Motel experienced financial problems. Fred was not able to pay for the solar power system. Jonah advised Fred that he would accept his brand new pool table worth \$3,000.00 (Three thousand dollars) in full settlement and promised not to seek the remaining amount. Fred then delivered the brand new pool table to Jonah's warehouse with a letter marked "in full settlement of your account". In July, Jonah finds out that the same client is now the CEO of a hardware company. **Can Jonah claim the outstanding \$2,000.00 (Two thousand dollars)? (5 marks)**
- (b) In September, burglars broke in to Jonah's warehouse and stole a lot of expensive equipment and tools. Jonah contacted Max, a policeman friend and told Max that if he made a security check at 11.00 pm every night at the warehouse, which is during Max's working hours, he would give him \$100.00 (One hundred dollars) every week. **Is Jonah legally bound to pay Max? (5 marks)**

**END OF PAPER**