



SCHOOL OF LAW

COURSE NAME: Commercial Law

COURSE NO: LA 313

TIME ALLOWED: Three (3) Hours

READING TIME: Plus Ten (10) Minutes

NUMBER OF PAGES: Four (4)

NUMBER OF QUESTIONS ON PAPER: Seven (7)

NUMBER OF QUESTIONS TO BE ANSWERED: Four (4)

MARK ALLOCATED FOR EACH QUESTION: Fifteen (15)

TOTAL MARKS: Sixty (60)

MATERIALS PERMITTED IN EXAMINATION ROOM:

This is a closed-book examination. No materials will be permitted into the examination hall.

SPECIAL INSTRUCTIONS

All answers must be supported by regional case laws and or statutes where applicable.

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

Approved
M. [Signature] 5/5/06

1. Soft Engineering agreed to purchase 10 tonnes of iron ore from Metal Solids Enterprises. The consideration was fixed at \$20000 and the delivery was to be made 2 weeks after signing the agreement. As part of the extraction process, the iron ore will undergo a purification process before delivery to Soft Engineering. As agreed, Metal Solids supplied 10 tonnes of the iron ore to Soft Engineering. However, on examination it was discovered by a specially hired independent metallurgist that 1 out of the 10 tonnes supplied was low grade iron ore.

(A) Advise Soft Engineering (10 marks) AND

(B) How would your answer differ from (a) if Metal Solids Enterprises was unable to mine the iron ore due to unforeseen circumstances and as such did not supply the 10 tonnes as agreed? (5 marks)

2. Write notes on **ALL** the following:

(a) Romalpa Clause (3 marks)

(b) De Minimis Rule (3 marks)

(c) Subrogation (3 marks)

(d) Liquidity Ratio (3 marks)

(e) Payee (3 marks)

3. Crafty, an undergraduate engineering student, developed a prototype of a portable voice recognition machine. To run the machine, she also designed a form of computer software capable of voice recognition and translation into 10 different languages. To make the machine work she then wrote a complete set of operational manuals. At the end of the school year, she presented the prototype as her final year project. The machine was so successful that Grab Productions, a commercial engineering company decided to mass produce it for sale. The university has now expelled Crafty on the ground that she has now right whatsoever to claim ownership of the prototype because it was produced as part of the academic requirements for her undergraduate degree.

(a) Advise Crafty on her rights (10 marks) AND

(b) How would your answer differ from (a) above, assuming that Crafty is a full-time employee of Grab Productions? (5 marks)

4. (a) Discuss any five types of legal relationships that can exist between a customer and a banker. (10 marks) AND

(b) Explain what is meant by countermand by discussing any five principles underlying its operation. (5 marks)

5. Complex Technologies Limited is a major manufacturer and exporter of integrated circuits which are mainly used in launching commercial satellites into orbit. Space Travels is a commercial tourism business that specialises in space tourism. It is expecting to reap huge benefits from the potentials held by the promising commercial space exploration business. Intending to boost its commercial satellite launching business, Space Travels ordered 2 high capacity integrated circuits from Complex Technologies Limited at the cost of 1 million dollars. The two integrated circuits were installed, but at launch the rocket boosters malfunctioned resulting in huge financial losses to Space Travels.

(a) Advise Space Travels (10 marks) AND

(b) How would your answer differ from (a) above, if the launch was successful, but the integrated circuits did not put the rocket into the correct geo-stationary orbit? (5 marks)

6. (a) Examine any three attributes of the concept of negotiability (5 marks) AND

(b) Compare and contrast a Documentary Credit with a Bill of Exchange (10 marks)

7

Jupiter Limited operates a current account with Saturn Bank Limited. On the 10 March 2003, a cheque issued by Jupiter Limited to Traction Enterprises was returned unpaid with the inscription "R/D". When Jupiter Limited enquired with the bank manager just after the cheque was returned, it discovered that there was sufficient credit balance to cover the issued cheque. Earlier, the bank manager has written a credit reference on Jupiter Limited based on wrong

account figures which was sent to Lights Engineering, a trading partner to Jupiter Limited. As a result, Lights Engineering has ceased doing business with Jupiter Limited. Jupiter Limited has now filed action in court against Saturn Bank Limited. At the hearing, counsel to Jupiter Limited submitted as follows:

- (a) That Saturn Bank Limited is in breach of the contractual relationship with Jupiter Limited (3 marks) AND
- (b) That the cheque is wrongly dishonoured and the inscription R/D was defamatory (3 marks) AND
- (c) That the credit reference is negligently written (3 marks) AND
- (d) That Saturn Bank Limited be held responsible for the financial losses of Jupiter Limited (3 marks) AND
- (e) That Saturn Bank should bear the cost of the whole proceedings (3 marks)

As counsel to Saturn Bank Limited, discuss your reply to each of the above points raised by learned counsel to Jupiter Limited.

END OF PAPER