



جامعة السلطان الشريف علي الإسلامية
UNIVERSITI ISLAM SULTAN SHARIF ALI
SULTAN SHARIF ALI ISLAMIC UNIVERSITY

Faculty of Shariah and Law
Semester I, 2015/2016 Academic Session

Final Examination Question Paper

Course Code : LB 1303

Course Name : Law of Contract 1

**Course Level : Bachelor of Laws (LL.B) & Bachelor of
Shariah Law (BSL)**

Time : 3 Hours

Reference allowed:

The Contracts Act (Cap.106)

Notes:

1. Answer any **four** of the following questions.
2. All answers, wherever relevant, must be supported by statutory provisions and case law.

QUESTION 1 (15 Marks)

- (a) Generally speaking, an advertisement in a newspaper or magazine will constitute an invitation to treat.

Explain the true position of the law with case law.

(5 marks)

- (b) On the eve of the New Year celebration earlier this year, at about 11.00 pm, Razak and Ahmad were walking in the vicinity of Bandar when they saw a group of young men behaving suspiciously at a car park behind Rehat D'Sini Hotel. Razak recognized Baba, his ex-schoolmate, among the men in the group. The next day, news was reported in the national news on television that Rehat D'Sini Hotel had been burgled at 11.30 pm the previous night.

On 3rd January 2015, Rehat D'Sini Hotel advertised in the local newspapers offering a reward of BND 8,000 to any person who provided information to the hotel management or the police which could lead to the arrest and conviction of the thieves. Razak and Ahmad gave information to the hotel management which led to Baba's arrest. Baba, on the other hand, gave some information to the police which led to the arrest of three (3) other suspects. Baba's information also led to the recovery of stolen money, credit cards, jewelries and travelers' cheque. All the suspects, including Baba, were charged in court for housebreaking and theft. However, all those charged with the offences, including Baba, were acquitted and discharged as the prosecution could not establish a prima facie case against them.

Ahmad had given the information after reading the reward offered in one of the local newspapers. Razak, on the other hand, who was unaware of the reward, had given information because he dislikes Baba since school days. Both Razak and Ahmad claimed the reward from the Hotel.

Baba, who later came to know of the reward after being shown the advertisement by his friend, also made a claim as his information had led to the arrest of all the suspects and recovery of the stolen items.

Rehat D'Sini Hotel refused to pay the reward to all of them. Ahmad, Razak and Baba filed an action in court to claim the reward.

Decide.

(10 marks).

QUESTION 2 (15 Marks)

- (a) "A counter-offer amounts to a rejection of the offer, and so operates to bring it to an end."
(J. Beatson, Anson's Law of Contract, 28th ed., p.37.)

Briefly explain the above statement.

(5 marks)

- (b) On 1st April 2015, Latifah sent a letter to Awang offering to sell her car for BND8,000. In the letter, Latifah stated that the acceptance should reach her by letter before 20th April 2015. Awang received the offer letter on 6th April 2015 and immediately posted a letter accepting the offer on 10th April 2015.

Explain the legal implications of these circumstances:

- (i) Awang posted a letter accepting the offer on 10th April 2015. But due to a strike of the postal service, Latifah received Awang's acceptance only on the 25th April 2015. In the meantime, on 23rd April 2015, Latifah sends a telegram revoking the offer since she did not receive any news of acceptance from Awang.

(5 marks)

- (ii) Latifah did not indicate that the acceptance should be made only by post, and that the offer was left open indefinitely. On 25th April 2015, Latifah sold the car to Zaki for BND10,000. On 28th April 2015, Awang was informed by Dayang (his office colleague) that she heard Latifah had sold the car to Zaki. Immediately, Awang faxed his letter of acceptance to the offer on the evening of 28th April 2015.

(5 marks)

QUESTION 3 (15 Marks)

- (a) “Agreements made without consideration is void.”

Explain the exceptions to this rule.

(8 marks)

- (b) Building Blocks Sdn. Bhd. entered into a sub-contract with Samad Woodworks Co. to do carpentry works for a block of flats on which they were refurbishing. Samad Woodworks Co. later ran into financial difficulties. In order to avoid expenses of finding new carpenters, Building Blocks Sdn. Bhd. agreed to pay Samad Woodworks Co. additional sum of BND 50,000 if they completed the work on time.

After works were completed, Samad Woodworks Co. wished to claim for the BND50, 000 as promised. Building Blocks Sdn. Bhd. paid an advance of BND45, 000 by cheque and negotiated to forfeit the balance sum due to their tight financial standings. Abu, the financial assistant of Samad Woodworks Co. agreed and accepted the cheque and later bank it into company's account. Samad, the general manager of the company was furious with Abu's actions and wish to claim for the balance money of BND 5,000. Building Blocks Sdn. Bhd. argued that performance of an existing contractual obligation owed to them is not a consideration.

Advise.

(7 marks)

QUESTION 4 (15 Marks)

- (a) Bee and Kay were married and lived in their matrimonial home for more than 20 years. One day, Bee decided to leave Kay when differences arose between them. Before he left her in June 2010, Bee promised Kay to provide her with maintenance of BND 500 per month “for as long as I could commit myself”. Bee also promised his son, Eli, that he would transfer the ownership of the matrimonial home to son if he is able to look after his mother for as long as she lives.

In early November 2010, Bee moved back into their matrimonial home but left again in December 2010. In March 2011, Bee notified Kay that he could no longer pay the full amount of the monthly maintenance.

Advise Kay and Eli.

(8 marks)

- (b) “It has been seen that the principle of promissory estoppel has been employed to obviate the necessity for consideration in cases where parties are already bound contractually one to the other and one of them promises to waive, modify or suspend his strict rights.”

(Guest, A.G. (ed.), *Anson’s Law of Contract*, 26th ed., Singapore: Oxford University Press, p. 107.)

Discuss the scope of the Doctrine of Promissory Estoppel.

(7 marks)

QUESTION 5 (15 Marks)

During negotiations leading to a contract, parties to the contract may make statements which would form part of the contract, or which would merely be a representation to induce the party to enter into the contract.

Explain the above statement and distinct the different terms of a contract.

(15 marks)

QUESTION 6 (15 Marks)

- (a) Peh Swee Chin FCJ in *Sababumi (Sandakan) Sdn Bhd v Datuk Yap Pak Leong* [1998] 3 MLJ 151 (FC) said:

“Reverting to the first type of implied term which is dependent on a court drawing an inference as explained above, there are two tests to fix the parties with such an intention, i.e., that the parties must have intended to include such an implied term in the contract.”

Discuss the above statement.

(8 marks)

- (b) Exemption clause is binding if it has been brought sufficiently to the notice of the covenantee. Lord Denning MR in *Thornton v Shoe Lane Parking* [1971] 1 All ER 686 (CA) said:

“In order to give sufficient notice, it would need to be printed in red ink with red hand pointing to it, or something equally startling. ... The plaintiff did not know of the condition, and the defendants did not do what was reasonably sufficient to give him notice of it.”

Explain the above proposition.

(7 marks)

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