CLA1501  (472424)  October/November 2016

COMMERCIAL LAW IA

Duration 2 Hours 80 Marks

EXAMINERS
FIRST
SECOND
MR M PHOSA
PROF TE MANAMELA

Closed book examination

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This paper consists of 13 pages plus instructions for the completion of a mark reading sheet

Please complete the attendance register on the back page, tear off and hand to the invigilator

ANSWER ALL THE QUESTIONS.

STUDENT NUMBER ______________________________

INSTRUCTIONS:

1. This paper consists of 40 multiple choice questions each counting 2 marks. The paper therefore counts out of 80 marks.
2. The paper consists of 13 pages in total. Please make sure that your paper contains all 40 questions and all the pages.
3. Please answer the questions on the mark reading sheet supplied.
4. Please write your student number on this paper as well as on the mark reading sheet.
5. You may use this paper to do your rough work on, but you are under an obligation to return this paper as well as the mark reading sheet at the end of the examination.
6. Should you fail to return the English and the Afrikaans versions of this paper as well as the mark reading sheet, your mark reading sheet will not be marked.
7. Make good use of the time. You have more than enough time to complete this paper. You have 120 minutes at your disposal to answer 40 questions, thus you have 3 minutes per question.
8. Good luck with the examination. We trust that you will be successful.
QUESTION 1

Which ONE of the following is the supreme law of South Africa?

1  Statute law
2  Roman Dutch law
3  English law
4  Constitution of the Republic of South Africa, 1996 (2)

QUESTION 2

Imbizo is a coastal town situated on a high bay. Dolphins migrate to Imbizo Bay annually to breed. This natural phenomenon has become a major tourist attraction. During the breeding season the dolphins are very sensitive to light and sound. The Imbizo community has always taken care to keep the noise level down in the bay area during the breeding season. Bongani decides to open a karaoke club in the town. The community wants to close down the karaoke club because they are afraid that the pulsating music and flickering lights will discourage the dolphins from migrating to Imbizo Bay to breed. Bongani avers that there is no legislation which restricts noisy business activities in the Imbizo Bay area.

Consider the following.

The court will acknowledge the validity of the Imbizo community's customs if the community can, amongst other things, prove that the prohibition on noise:

A  has existed for a long time
B  has been put in writing
C  will encourage the breeding of dolphins
D  is certain and clear

Which of the above are CORRECT?

1  only A and D
2  only A, B and D
3  only C and D
4  A, B, C and D (2)

QUESTION 3

The operation of the doctrine of stare decisis explains how courts are able to create law. As a result of the stare decisis-rule, judgments of superior courts are the most important sources of law.

Which ONE of the following is binding on other courts in the hierarchy of courts?

1  the corpus iuris civilis
2  an obiter dictum
3  the ratio decidendi
4  none of the above (2)
QUESTION 4

The right to claim performance from someone is a/an

1 real right
2 intellectual property right
3 personal right
4 personality right

(2)

QUESTION 5

Which ONE of the following subdivisions of the law forms part of private law?

1 international law
2 criminal law
3 law of contract
4 company law

(2)

QUESTION 6

Tumelo picks up a guitar which someone else has thrown away, and keeps it for himself. He becomes the owner of the guitar.

In which ONE of the following original methods did Tumelo acquire ownership?

1 Prescription
2 Occupation
3 Delivery
4 Registration

(2)

QUESTION 7

Bruce provided in his will that on his death ownership of his farm, Big Bull, near Mafikeng, would pass to his youngest son Kobus and that Bruce’s widow, Mary, would have the right to stay on the farm and use it as long as she lived, a so-called life-interest. During his lifetime Bruce used the property for dairy farming, for growing wheat crops and for cultivating vegetables.

Which ONE of the following statements is CORRECT?

1 Mary’s right is an example of a personal servitude and is called a usufruct
2 The farm, Big Bull, is called the dominant tenement
3 Mary may replace the wheat fields with a dirt track racing course, for which a need exists in Mafikeng and which would be less work for her than cultivating wheat
4 Kobus is entitled to the dairy products and vegetables produced on the farm

(2)
QUESTION 8

Contracts differ from other types of agreements

Which ONE of the following statements is CORRECT?

1. A contract cannot be entered into by more than two parties
2. A contract creates legally enforceable obligations
3. An agreement is a source of legal obligations
4. An agreement is a particular type of contract

(2)

QUESTION 9

Hlomla wants to rent a house belonging to James. James tells Hlomla about the terms of his offer. Hlomla is not sure whether he should accept the offer or not and he asks for more time to consider it. They agree that the offer will remain open for a period of one week. The following day James is approached by Masedi who also wants to rent the house.

Which ONE of the following statements is CORRECT?

1. James may let the house to Masedi because there is no contract that forbids him from doing so
2. James may let the house to Masedi while his offer to Hlomla is still open
3. James must keep the offer open for a period of one week until Hlomla has rejected or accepted it
4. James may not let the house to Masedi even after the period of one week has lapsed, but must wait until Hlomla has given him an answer

(2)

QUESTION 10

Thapelo, a dealer in electrical goods, has numerous washing machines on display on his shop floor. A card is attached to each machine indicating its make, model and price. A card is placed on a certain machine indicating that the price is R1,000, whereas it is actually R10,000. Gcina sees the machine and takes it to the cashier. The cashier realises that the price is incorrect and refuses to accept the R1,000 tendered by Gcina.

Which ONE of the following statements is CORRECT?

1. Gcina accepted Thapelo’s offer with the intention of being legally bound to it on the terms as set out on the card
2. Thapelo made an offer to Gcina with the intention that he would be legally bound by the mere acceptance thereof by Gcina
3. By displaying the machine on the shop floor, Thapelo invited Gcina to make an offer to purchase the machine
4. By offering the R1,000 Gcina made it clear that she unconditionally accepted Thapelo’s offer

(2)
QUESTION 11

Which ONE of the options provided below will complete the following sentence CORRECTLY?

In terms of the dispatch theory, a contract comes into being at the place where, and the time when

1. the offeror becomes aware of the offeree's acceptance of the offer
2. the letter of acceptance is posted by the offeree, unless the parties state otherwise
3. the offeror receives the acceptance
4. the offeree puts his or her acceptance in writing

(2)

QUESTION 12

Aunt Molly is sick in hospital and fears that she won't live much longer. Her nephew, Gary, visits her every day and agrees to feed her ten cats back home. In return for feeding the cats, he persuades her to sell him her car for far less than its market value. Aunt Molly has no other choice but to agree to the sale of the car as there is no one else to feed her precious cats.

Which ONE of the following statements is INCORRECT?

1. Aunt Molly contracts to her detriment as a result of undue influence
2. Aunt Molly was forced into the contract and therefore it is null and void
3. Aunt Molly can cancel the contract and claim damages
4. Aunt Molly can choose to uphold the contract

(2)

QUESTION 13

Which ONE of the following statements is CORRECT?

1. Wendy, a seven-year-old girl, inherits a very valuable diamond ring from her grandmother. Peter, Wendy's father, sells the ring to Sandy for R20 000, while its actual value is R90 000. Wendy will never be able to remedy this detrimental contract.
2. Mr John agrees with his best friend, Mr Zwane, that his 17-year-old daughter, Beauty, will marry Mr Zwane. Beauty refuses to marry Mr Zwane, because she wants to study medicine at the Medical University of South Africa. The marriage nevertheless takes place without her consent, because arranged marriages are part of her culture. The marriage is valid.
3. John, a 13-year-old boy, undergoes an HIV test without his guardian's consent. John is able to do so lawfully.

(2)
QUESTION 14

Jacob, a multimillionaire, and Tshidi, a housewife, marry in community of property on 1 December 2000. During the marriage, Tshidi inherits a wine estate in Stellenbosch from her father. In terms of the will the wine estate will not form part of Tshidi and Jacob’s joint estate.

Which **ONE** of the following statements regarding their marriage in community of property is **CORRECT**?

1. Only Jacob has the capacity to control the joint estate, because he is a man and a multimillionaire.
2. Jacob may sell a lounge suite which belongs to the couple, to his friend, Tshepo, without Tshidi’s consent.
3. On dissolution of the marriage between Jacob and Tshidi, the wine estate will not form part of the joint estate.
4. On dissolution of the marriage between Jacob and Tshidi, the wine estate will form part of the joint estate. **(2)**

QUESTION 15

Which **ONE** of the following could have an influence on a natural person’s legal capacity?

1. mental deficiency
2. being under the influence of alcohol or drugs
3. having been declared a prodigal by the High Court
4. none of the above. **(2)**

QUESTION 16

Kgotso wants to sell his old computer for R3000. Neo, a 16-year-old boy, wants to buy it. He tells Kgotso that he is 23 years old and may therefore conclude the contract of sale without his parents’ assistance. Kgotso and Neo agree that Neo will pay a deposit and that he will pay the balance in instalments. Neo’s parents reduce his pocket money and as a result Neo is unable to pay the instalments as agreed.

Which **ONE** of the following statements is **CORRECT**?

1. Neo is not liable to pay the purchase price of the computer as the contract is not enforceable against him as he is a minor.
2. Neo is not liable to pay the purchase price of the computer as Kgotso should have ascertained the true facts before concluding the contract.
3. Neo is liable to pay the purchase price of the computer as he is an emancipated minor.
4. Neo is liable to pay the purchase price of the computer as he fraudulently posed as a major. **(2)**
QUESTION 17

Which ONE of the following contracts between Scelo and Thandeka will be legally possible to perform?

1. Scelo sells 4 000 square metres of the Clifton beach in Cape Town to Thandeka for R2 million to be registered in terms of title deed no CGH/100 in Cape Town’s Deeds office.
2. Scelo and Thandeka attend the Durban July pig race. Thandeka accepts a wager from Scelo in terms of which she undertakes to quash his speeding fine tickets if the pig London Dream wins the July race.
3. Scelo pays Thandeka R50 000 to burn out his car, in order for Scelo to claim for the damage from his insurance.
4. Scelo accepts a wager from Thandeka in terms of which she accepts to pay him R1 000 if the South African rugby team beats the Australian rugby team twice in a row.

QUESTION 18

Mpho enters into an agreement with Bobby, in terms of which Mpho sells Bobby a bag of dagga. Bobby pays Mpho R15 000 for the dagga and they agree that Bobby will collect it from Mpho the following day. When Bobby arrives to collect the dagga, Mpho refuses to give it to Bobby. Bobby decides to take legal action against Mpho to enforce the contract.

Which ONE of the following statements is CORRECT?

1. Bobby may institute action against Mpho for specific performance, on the basis of the per delictum rule.
2. Both Mpho and Bobby may reclaim their own performance on the grounds of unjustified enrichment, and the maxim ex turpi causa non oritur actio.
3. Neither party can enforce his rights in terms of the contract.
4. Either party can enforce his rights in terms of the agreement.

QUESTION 19

On 10 October 2016 Thuso sells a pig, Babe, to Gary for R5 000. Without either of them knowing it, the pig died the night before.

Which ONE of the following statements is INCORRECT?

1. No contract came into existence.
2. Performance is subjectively impossible.
3. Neither of the parties can claim performance from the other.
4. If Gary has paid for the pig he can claim back his money.
QUESTION 20

Tom undertakes to deliver his Rally mountain bike to Nick. The contract further provides that Tom may, at his sole discretion, deliver another mountain bike of similar quality.

This is a(n)
1. generic obligation
2. alternative obligation
3. facultative obligation
4. invalid contract

(2)

QUESTION 21

Which ONE of the following agreements is lawful?

1. A contract which is contrary to a statute
2. A contract which is against public policy
3. A contract which is contrary to good morals
4. A contract which is unreasonable or unjust

(2)

QUESTION 22

Which ONE of the following statements is CORRECT?

1. If Pat bets Bandle R2000 that Zambia will win the next Africa Nation's Soccer Cup, the contract between them is void, because it is a wagering contract.
2. Cyril and Pat decide to run a brothel and draw up an agreement on how they will divide the profits. A valid contract comes into existence.
3. If Chris, who is deeply in love with Zinzi, promises Margate's beach to her in a contract of donation, a valid contract does not come into existence because the object of the donation is not capable of being privately owned.
4. If Tebogo, the famous chef and owner Greenfields, agrees with Pat, the buyer of the restaurant, that Tebogo will never again open or work in a restaurant in South Africa, the contract will be enforceable, because it is a principle of South African law that parties have freedom to contract.

(2)

QUESTION 23

Owethu and his grandmother agreed that in her will, his grandmother would leave him (Owethu) her cottage in Modjadji Kloof, Limpopo.

Which ONE of the following statements regarding the agreement between Owethu and his grandmother is CORRECT?

1. It is an agreement in terms of which the grandmother's freedom to participate in legal intercourse is restrained.
2. It is an unenforceable agreement since it is prohibited by legislation.
3. This agreement constitutes a contract that is physically impossible.
4. It is a valid contract, since both parties agreed.

(2)
QUESTION 24
Which ONE of the following statements is CORRECT?

1. Formalities are required for the formation of all contracts
2. If parties prescribe formalities for their contract, compliance is optional
3. Writing is a formality required for all contracts of sale
4. A contract of lease may be concluded without any formalities

(2)

QUESTION 25
Sihle is very excited as he has just heard that he has won a new jeep. He phones Sabelo and
tells him the good news. Sihle offers to give his old jeep to Sabelo, who gladly accepts the
offer. They agree that Sihle will deliver the old jeep to Sabelo once he has received his new
Jeep.

Which ONE of the following statements regarding the validity of the agreement between Sihle
and Sabelo is CORRECT?

1. A valid contract has been concluded
2. The agreement between them is not a contract, because no price has been specified
3. The agreement is void, because it is not contained in a written document
4. A valid contract will only anse once Sihle has received his new Jeep

(2)

QUESTION 26
Which ONE of the following statements is INCORRECT?

1. A court can infer trade usage as a tacit term of a contract, if the trade usage is known to
both parties to the contract
2. A court cannot infer trade usage as an implied term of a contract if one party cannot
prove that the other party knew of the trade usage, unless the trade usage is so
universal and notorious that the latter party can be presumed to have had knowledge of
it
3. A court will read a tacit term into a contract if the parties failed to include a term as an
express term because it seemed too self-evident to necessitate express inclusion
4. A court will not impute a tacit term into the contract where parties to the contract failed to
include an express term into their contract because they failed to anticipate that a
certain situation could arise

(2)

QUESTION 27
Sphelile and Tiyani conclude a contract of lease in terms of which Sphelile will lease his
farm, 'Apple Tree Farm', to Tiyani until Tiyani's death. This term is an example of a

1. resolutive time clause
2. suspensive time clause
3. suspensive condition
4. resolutive condition

(2)
QUESTION 28

When will a court apply the guideline of interpreting a contractual term against the interest of the party who formulated that clause?

1. Whenever the clause appears to the court to be unfair
2. Only when the clause appears in a standard-form contract
3. Only when the clause is ambiguous or vague
4. The court will never apply such a guideline

(2)

QUESTION 29

Joyce and Maria conclude a written agreement for the sale of “a three-piece cutlery set.” At a later stage Maria discovers that he accidentally wrote “a four-piece cutlery set.”

Which ONE of the following statements is CORRECT?

1. Maria will have to deliver a four-piece cutlery set because the mistake occurred as a result of his negligence
2. Maria will have to deliver a four-piece cutlery set because the parol evidence rule precludes him from relying on the intended agreement
3. Maria can apply for the rectification of the agreement
4. The contract between the parties is void for uncertainty

(2)

QUESTION 30

Harry and Deon conclude a contract of sale for the property 176 Eagle Gardens, which belongs to Deon. Their contract stipulates that Harry must pay an amount of R50 000 as deposit on the purchase price within two days of Deon’s acceptance of the offer. The money must be paid into Deon’s bank account, and Deon must provide Harry with the name of his bank, the account number and the branch code. Four days after Deon has accepted Harry’s offer, Deon still has not provided the required information to Harry.

Which ONE of the following statements is CORRECT?

1. Harry has committed breach of contract in the form of mora debitoris, as he has not paid the deposit
2. As Harry spent the R50 000 before he received the necessary information from Deon, supervening impossibility of performance has occurred, and their contract is terminated
3. Deon has committed breach of contract in the form of mora creditors, as he has neglected to give his co-operation to enable Harry to fulfil his obligation with regard to the deposit
4. Deon is entitled to cancel the contract if he has given Harry notice of intention to cancel the contract and a reasonable time to comply with his obligation to pay the deposit

(2)
QUESTION 31

Which ONE of the following statements is CORRECT?

When a party to a contract indicates that he or she does NOT intend to perform in terms of the contract, we have breach of contract in the form of

1 repudiation
2 \textit{mora debitoris}
3 positive malperformance
4 prevention of performance \hspace{1cm} (2)

QUESTION 32

Which ONE of the following options will terminate contractual obligations?

1 Supervening impossibility of performance where the debtor is in \textit{mora}
2 Supervening impossibility of performance where the creditor is in \textit{mora}
3 Initial impossibility of performance
4 Prevention of performance \hspace{1cm} (2)

QUESTION 33

Tsepo, the organizer of Blast running club, has ordered 200 T-shirts from Alice for club members who will be participating in a race at the end of August 2016. According to the contract the T-shirts must be delivered on or before 31 May 2016. No T-shirts have been delivered by 1 June 2016.

Which ONE of the following types of breach of contract has Alice committed?

1 positive malperformance
2 default by the debtor
3 repudiation
4 prevention of performance \hspace{1cm} (2)

QUESTION 34

The legal remedies at the disposal of the innocent party when breach of contract is committed fall into three major categories. Two of these categories are (a) execution of the contract and (b) cancellation of the contract.

Which ONE of the following is the third major category of remedies available?

1 prohibitory interdicts
2 restitution
3 damages \hspace{1cm} (2)
QUESTION 35

Which ONE of the following is an instance where a contract can be cancelled for breach of contract in the form of *mora debitoris*?

1. if the contract contains a cancellation clause
2. failure to give notice of intention to cancel the contract
3. failure to perform by the stipulated date where the time of performance is not of the essence
4. timely but defective performance

(2)

QUESTION 36

Mark sells a set of twelve small “collectors cars” to Maduna at a price of R4 500. When Mark delivers the cars to Maduna, he informs Maduna that he has lost one of the cars. Maduna refuses to pay the R4 500 and Mark wants to claim specific performance from Maduna.

Which ONE of the following defences can Maduna raise against Mark’s claim?

1. *mora ex re*
2. undue influence
3. *exceptio non adimpleti contractus*
4. *actio legis Aquilae*

(2)

QUESTION 37

Which ONE of the following statements is CORRECT?

1. Rescission refers to the act of withdrawing from a contract due to breach of contract
2. Cancellation of a contract refers to the act of withdrawing from a contract due to reasons other than breach of contract
3. Cancellation is one of the remedies for breach of contract
4. Rescission is a form of breach of contract

(2)

QUESTION 38

Tom borrows R20 000 from Natasha. They agree that Tom will repay the money in two instalments over the following two months. At the end of the first month Tom gives Natasha R6 000 and during the second month he pays her only R4 000. Natasha approaches Tom about the outstanding amount of R3 000 but Tom insists that he owed Natasha only R9 000 and not R20 000. They eventually reach agreement that Tom will pay her R10 000.

This is an illustration of

1. release
2. novation
3. settlement
4. delegation

(2)
QUESTION 39

Which **ONE** of the following statements is **CORRECT**?

1. If Pedro borrows R 4 000 from Bongi on 1 December and they agree that Pedro will pay the money back on 30 December, prescription regarding the debt begins to run on 1 December.
2. Pedro may cede a third of what Sam owes him to Nick without Sam's consent.
3. Pedro owes Somandla Bank a total of R200 000 in respect of various transactions. He deposits an amount of R 50 000 with the bank, but fails to stipulate how the payment must be allocated. The bank is obliged to apply the whole sum towards the reduction of Pedro's obligations in respect of the capital on his home loan.
4. Pedro (Pty) Ltd's debt of R 40 000 in favour of the Ntuli Construction Co (Pty) Ltd is extinguished when the two companies merge. **(2)**

QUESTION 40

Barry buys a car from Michael for the amount of R30 000. However, Barry only pays Michael R22 000 as Michael owes Barry R8 000 arising from a debt that existed prior to the sale of the car.

Which **ONE** of the following forms of termination of personal rights took place?

1. prescription
2. set-off **(2)**
3. merger
4. discharge

**TOTAL: 80**

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EXAMINATION MARK READING SHEET

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDENT NUMBER (VREESTGEOGEN NUMMER)

FOR USE BY EXAMINATION INVIGILATOR

For use by examination invigilator

Vir gebruik deur eksamenopsier

PART 2 (ANSWERS/ANTWORDE) DEEL 2

BELANGRIJK

1. CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
2. ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
3. CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
4. CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
5. DO NOT FOLD

1. OOREKANS forms in her perforated U of south afrika
2. MERK AS VOLG
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6. KONTROLEER DAT DIE UNIEKE NOMMER REG INGEGEUV IS
7. MAAS SEKER DAT MET EEN AFTEERAPPET PER VRAAG GEMERK IS
8. MOONIE YOU MUST

SPECIMEN ONLY
MARK READING SHEET INSTRUCTIONS

Your mark reading sheet is marked by computer and should therefore be filled in thoroughly and correctly.

USE ONLY AN HB PENCIL TO COMPLETE YOUR MARK READING SHEET

PLEASE DO NOT FOLD OR DAMAGE YOUR MARK READING SHEET

Consult the illustration of a mark reading sheet on the reverse of this page and follow the instructions step by step when working on your sheet.

Instruction numbers 1 to 10 refer to spaces on your mark reading sheet which you should fill in as follows:

1. Write your paper code in these eight squares, for instance:

   P S Y 1 0 0 - X

2. The paper number pertains only to first-level courses consisting of two papers.

   WRITE 0 1 for the first paper and 0 2 for the second. If only one paper, then leave blank.

3. Fill in your initials and surname.

4. Fill in the date of the examination.

5. Fill in the name of the examination centre.

6. WRITE the digits of your student number HORIZONTALLY (from left to right). Begin by filling in the first digit of your student number in the first square on the left, then fill in the other digits, each one in a separate square.

7. In each vertical column mark the digit that corresponds to the digit in your student number as follows:

8. WRITE your unique paper number HORIZONTALLY.

   NB: Your unique paper number appears at the top of your examination paper and consists only of digits (e.g. 403326).

9. In each vertical column mark the digit that corresponds to the digit number in your unique paper number as follows:

10. Question numbers 1 to 140 indicate corresponding question numbers in your examination paper. The five spaces with digits 1 to 5 next to each question number indicate an alternative answer to each question. The spaces of which the number correspond to the answer you have chosen for each question and should be marked as follows:

    ♦ For official use by the invigilator. Do not fill in any information here.