CLA1501 (483876) May/June 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 options below will CORRECTLY complete the following sentence?

Customary law is also known as

1. common law  
2. foreign law  
3. statute law  
4. trade usages

(2)

QUESTION 2

Which ONE of the following sources will a South African lawyer consult on Roman law?

1. the Constitution of the Republic of South Africa, 1996  
2. Customary Law  
3. the Corpus Juris Civilis  
4. South African Statute Law

(2)

QUESTION 3

Joe and Lebo attend the High Court proceedings to hear judgment on the matter that affects their business. They would like to know what the most important part of the judgment will be

Which ONE of the following is the most important part of a judgment?

1. Obiter dictum  
2. Ratio decidendi  
3. Incidental remarks  
4. Stare decisis

(2)

QUESTION 4

Your friend Mosidi informs you that she would like to report a crime that took place in her neighbourhood to the police

Which ONE of the following branches of the law will apply in this matter?

1. Family law  
2. Law of persons  
3. Private law  
4. Public law

(2)

[TURN OVER]
QUESTION 5

When does the legal capacity of a human being come into existence?

1 at his or her conception
2 at his or her birth
3 when he or she reaches the age of eighteen
4 when he or she concludes a marriage

(2)

QUESTION 6

Ben, a farmer, writes in his will that Morwesi, his eldest daughter, shall have usufruct in his farm during her lifetime and that Modiri, his youngest son, shall take ownership of the farm.

Which ONE of the following options represents what should happen after Ben’s death?

1 Morwesi may sell her usufruct only to a close relative who has an interest in the farm, except Modiri
2 Morwesi will be granted the usufruct in the farm until Modiri takes over its ownership
3 Morwesi may take all the fruits and produce of the farm during her lifetime
4 Morwesi will have no power to use and enjoy the farm since ownership of the farm will be with Modiri

(2)

QUESTION 7

In which ONE of the following situations was a VALID contract concluded?

1 Agnes engages a professional caterer to provide food for a party to which 15 guests have been invited. Forty minutes after the agreed time, 10 guests phone Agnes and inform her that they will miss the appointment. Agnes wants to sue the guests for breach of contract.
2 James, exceedingly drunk, undertakes in front of witnesses at Litha’s Bar, to give one of his cars to Piet if Piet fixes his house’s broken windows in exchange. Moments later James collapses in the street. The next morning he remembers nothing of his agreement with Piet.
3 The organizers of the Rhino 2016 Rally make an offer to pay Ron R900 000 if he can drive the 700 kilometers between Bloemfontein and Polokwane in an hour. Ron accepts the offer.
4 Tim and Bill agree that Tim will hand R100 to Bill and that Bill will hand over his silver pen to Tim in full exchange.

(2)

QUESTION 8

Which ONE of the following statements is CORRECT?

1 Performance in a contract is about parties being obliged to either do or not to do something.
2 Performance in a contract can only be about parties being obliged to do something.
3 Personal rights can only come about through the conclusion of a valid contract.
4 In terms of the law of contract parties to a contract are limited to two in number.

(2)

[TURN OVER]
QUESTION 9

Which ONE of the following statements about the formation of a valid contract is CORRECT?

1. The number of parties to a contract is determined by the seriousness of obligations created by that contract.
2. It is possible in law for a person to conclude a valid contract with himself or herself acting in the same capacity on each side of the contract.
3. It is possible in law for a person to conclude a valid contract with himself or herself acting in a different capacity on each side of the contract.
4. The number of parties to a contract is determined by the nature of personal rights created by that contract. (2)

QUESTION 10

Which statement is INCORRECT?

1. Freedom to contract is considered to be one of the cornerstones of the modern law of contract.
2. One is generally free to choose with whom and on what grounds one wants to contract with another.
3. A person may not conclude contracts which are unlawful or illegal.
4. Freedom to contract may not be limited. (2)

QUESTION 11

Mr and Mrs Bash invite 300 guests to the wedding reception of their daughter. They agree with Delicious Food Caterers that the cost of the reception will be calculated at R200 per guest. For that reason, Mr and Mrs Bash state expressly on the wedding invitation that no children are invited to the reception. No less than 30 children attend the reception. Delicious Food Caterers charge Mr and Mrs Bash extra for the 30 additional guests.

Which ONE of the following statements is CORRECT?

1. Mr and Mrs Bash may not claim the additional costs from the parents or guardians of the (uninvited) children, since the invitation constitutes only a social arrangement and not a contract, and failure to abide by its conditions does not amount to breach of contract.
2. Mr and Mrs Bash may claim the additional costs from the parents or guardians of the children, because by bringing extra children to the reception contrary to the express statement in the offer (invitation) that children were not invited, they committed breach of contract.
3. Mr and Mrs Bash may refuse to pay Delicious Food Caterers the additional amount for the uninvited children, since they made a mistake as to the number of guests who would attend the reception, and so did not agree to the additional expenses.
4. Mr and Mrs Bash may not claim the additional costs from the uninvited children, because, as minors, they are not liable for performance in terms of the contract unless their parents or guardians ratify the contract. (2)

[TURN OVER]
QUESTION 12

Which ONE of the following relationships is not a category of automatically presumed undue influence?

1. Attorney and client
2. Doctor and patient
3. Guardian and minor
4. Husband and wife

(2)

QUESTION 13

Richard makes an offer to buy Tumelo’s motor car for R10 000. He gives Tumelo 10 days to accept his offer. On the ninth day Tumelo informs Richard that he accepts the offer, but that he wants an amount of R12 000.

Which ONE of the following statements is CORRECT?

1. A contract came into existence between Richard and Tumelo with a purchase price of R12 000.
2. A contract came into existence between Richard and Tumelo with a purchase price of R10 000
3. No contract came into existence between Richard and Tumelo as Tumelo made a counter-offer, which has not yet been accepted
4. Richard's offer still stands

(2)

QUESTION 14

Marcus wants to buy Simon’s car. Marcus and Simon agree that Marcus may take the car, but Simon is under the impression that Marcus is only hiring the car from him.

Which ONE of the following statements is CORRECT?

1. A contract came into existence between Marcus and Simon
2. There is no consensus with regard to the object of performance
3. The parties have no intention to be contractually bound
4. The parties have not reached consensus on the nature of the contract

(2)

QUESTION 15

Don has been an alcoholic for the past 15 years. His wife, Irene, is worried as he sells all his possessions to buy liquor. Irene applies for a court order to have him declared a prodigal and a curator appointed to administer his estate. The court declares Don a prodigal and appoints Mr Zinga as his curator.

Which ONE of the following statements is INCORRECT?

1. Once he is appointed, Mr Zinga must consent to contracts entered into by Don
2. Before Don is declared a prodigal and a curator appointed, he will not have acting capacity to conclude a contract for the sale of his farm, while he is virtually unconscious after having drunk 15 glasses of whisky
3. On the appointment of Mr Zinga, Don loses his acting capacity

[TURN OVER]
4 When Don is declared a prodigal and a curator appointed, any contract concluded by Don without assistance is voidable (2)

QUESTION 16

Which ONE of the following persons has limited capacity to perform juristic acts?

1 a person who is addicted to drugs
2 an unrehabilitated insolvent who wants to dispose of his assets in the insolvent estate
3 a person who has prodigal tendencies
4 a person who is 13 years old (2)

QUESTION 17

A minor is generally regarded as any natural person who has not yet reached the age of majority

Which ONE of the following determines the age of majority in South Africa?

1 An Act of Parliament
2 The common law
3 A court of law
4 Parents and/or guardians (2)

QUESTION 18

Thami places a bet with Arnie, a bookmaker at the local totalisator, that the Springboks will win the rugby test against Australia. The Springboks wins the game, but Arnie refuses to pay Thami his winnings. The bets at this totalisator are regulated by the National Gambling Act

Which ONE of the following statements is CORRECT?

1 Thami has no enforceable right against Arnie for his winnings, since at common law a wagering contract is mostly invalid
2 Thami has no contractual claim against Arnie for his winnings, since their contract is contrary to good morals
3 Thami has an enforceable right against Arnie on the grounds of unjustified enrichment
4 Thami has an enforceable right against Arnie for his winnings, since the contract is valid and lawful (2)

QUESTION 19

Prince, a photographer, wants to sell a framed photo of a full moon and bright stars to his friend Lebogang for R500. Lebogang takes the photo but refuses to pay Prince the money because he believes that Prince is by law prohibited to sell the moon and the stars as they cannot be privately owned.

Which ONE of the following statements is CORRECT?

1 Prince is not legally allowed to sell the picture of the full moon and the stars to Lebogang because [TURN OVER]
they cannot be privately owned

2 Prince is not legally allowed to sell the picture of the full moon and the stars to Lebogang because their contract is contrary to common law.

3 Prince is legally allowed to sell the picture of the full moon and the stars to Lebogang as he is not necessarily selling the full moon and the stars

4 Prince is legally allowed to sell the picture of the full moon and the stars because he can privately own the moon and the stars

QUESTION 20

Which ONE of the following obligations is created when Aaron and Lerato agree that Aaron will buy one of Lerato’s two dogs?

1 Generic obligation
2 Alternative obligation
3 Facultative obligation
4 None of the above

(2)

QUESTION 21

Which ONE of the following statements about the formalities for the conclusion of a valid contract is CORRECT?

1 Formalities are binding on the parties to a contract only if they are required or stipulated by the law
2 Formalities are requirements relating to the inward, invisible form in which the agreement must be cast to create a valid contract
3 Formalities are requirements relating to the outward, visible form in which the agreement must be cast to create a valid contract
4 Formalities are binding on the parties to a contract only if they are required or stipulated by contracting parties themselves.

(2)

QUESTION 22

Kate takes her friends Allie and Lesego to a restaurant. When Kate wants to pay, she discovers that she does not have her purse with her. Allie agrees to pay the bill, but she suspects that Kate will not repay her. Allie therefore asks Lesego if she will bind herself as surety for Kate’s debt. Lesego agrees by nodding her head.

Which ONE of the following statements regarding the validity of the agreement between Lesego and Allie is CORRECT?

1 A valid contract has been concluded
2 The agreement is void because formalities for this type of a contract have not been complied with
3 The agreement is void due to a lack of consensus
4 The agreement is void because it is contrary to good morals

(2)

[TURN OVER]
QUESTION 23

Which **ONE** of the following statements about consumer contracts is **CORRECT**?

1. A franchise agreement that is concluded orally is valid.
2. Where the Consumer Protection Act of 2008 requires the supplier to provide the consumer with a copy of the contract, an electronic copy of the contract will not suffice.
3. The National Credit Act of 2005 specifically prescribes that a credit agreement must be in writing in order to be valid.
4. In terms of the National Credit Act of 2005 the credit provider can provide the consumer with a copy of the agreement in a printable electronic form.  

(2)

QUESTION 24

Lindiwe donates a large property in Johannesburg to the Care for Kids Foundation, a charitable organisation. **In terms of the contract of donation the Care for Kids Foundation is obliged to erect a child care centre on the premises.** The Care for Kids Foundation feels, however, that the property is better suited to the construction of a hospital for HIV/AIDS patients and proceeds with this.

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

1. The Care for Kids Foundation has become the owner of the property and is free to use the property for any purpose.
2. The Care for Kids Foundation Charity has committed breach of contract because it has not complied with the modus.
3. The Care for Kids Foundation has committed breach of contract because it has not complied with the suspensive condition.
4. The Care for Kids Foundation has committed breach of contract because it has not complied with the supposition under which the donation was made.  

(2)

QUESTION 25

Mary buys a second-hand air cooling system from her cousin Joyce and pays her the purchase price they agreed on. She informed Joyce that she cannot handle the heat anymore and that she (Mary) has heard that this specific system is one of the best currently on the market. After Mary installed the cooling system in her house, she discovers that there is something faulty with the system and that the cooling function does not work.

Which **ONE** of the following statements regarding the faulty cooling system is **CORRECT**?

1. The contract that Mary and Joyce concluded will not be valid because not all the *essentialia* of a contract of sale are present.
2. The *essentialia* of the contract of sale will enable Mary to claim damages for the faulty air cooling system.
3. The *naturalia* of a contract of sale will enable Mary to claim damages for the faulty air cooling system.
4. The *incidentalia* of a contract of sale will enable Mary to claim damages for the faulty air cooling system.  

(2)

[TURN OVER]
QUESTION 26

Sifiso has been trying to quit smoking for a very long time. His dad Alfred is concerned about Sifiso’s health. To persuade him to stop smoking, Alfred promises Sifiso a scooter if he manages to stop smoking. Sifiso will have to take a blood test to prove that there is no nicotine in his blood before Alfred will honour his agreement.

Which ONE of the following statements regarding the agreement between Alfred and Sifiso is CORRECT?

1. This is an example of a suspensive condition
2. This is an example of a resolutive condition
3. This is an example of a time clause
4. This is an example of a resolutive time clause

(2)

QUESTION 27

The law recognises that, in appropriate circumstances, a written contract may be rectified.

In which ONE of the following circumstances is rectification permissible?

1. if the parties can prove their true intention and that the contract does not accurately reflect their intention
2. if the parties can prove their true intention as well as the fact that when the contract was concluded, they agreed that the integration rule would not apply
3. if the parties can prove their true intention and that rectification of the contract will not be to the detriment of any third party
4. none of the above

(2)

QUESTION 28

Which ONE of the following statements is CORRECT?

1. In principle, there is a difference between contracts concluded in writing and orally
2. In principle, the validity of a contract is affected by the manner of its creation
3. In principle, the same rules of interpretation can be applied when interpreting all contracts
4. In principle, the rules that are applied when interpreting contracts are determined by the manner of the conclusion of that particular contract

(2)

[TURN OVER]
QUESTION 29

Which ONE of the following statements about the parol evidence rule is CORRECT?

1. The parol evidence rule affects evidence of an agreement concluded subsequent to the written contract.
2. The parol evidence rule prohibits the evidence of prior inducing agreements where the terms of the earlier document do not alter the terms of the integrated written agreement.
3. The parol evidence rule is affected by the Consumer Protection Act of 2008 as it allows consideration of evidence outside the written record of the contract.
4. The parol evidence rule applies to evidence that prove the nullity or voidability of the contract as a whole. (2)

QUESTION 30

Which ONE of the following is NOT an element of mora creditoris?

1. The debtor should offer proper performance as specified in the contract and must call upon the creditor to co-operate.
2. Performance outstanding to the creditor must be physically and legally capable of being discharged.
3. The creditor must fail to give his or her co-operation and thereby delay performance.
4. The creditor must at least co-operate with the debtor so that performance can take place. (2)

QUESTION 31

Thabiso and Jeffrey enter into a contract of sale in terms of which Thabiso will buy ten cases of soft drinks from Jeffrey. They also agree that Thabiso will deliver the drinks at Jeffrey’s place on 29 February. When Thabiso arrives at Jeffrey’s place to deliver the drinks, he finds the house locked and there is no one to take delivery of the drinks.

Which ONE of the following statements regarding Thabiso and Jeffrey’s contractual duties is CORRECT?

1. Thabiso will remain liable to render his performance to Jeffrey although later than originally intended, and he will also be entitled to the creditor’s counter-performance, if there are no reciprocal agreements.
2. If Thabiso’s performance becomes impossible while Jeffrey is in default, Thabiso will still be obliged to perform in terms of the contract.
3. Thabiso’s duty of care is extinguished if Jeffrey is in default.
4. If Thabiso is already in mora, his contractual duties are not extinguished because of Jeffrey’s default. (2)

[TURN OVER]
QUESTION 32

The Morebene Park enters into an agreement with Soft Thatch in terms of which Soft Thatch will thatch the roofs of 400 newly built bungalows. Their contract stipulates that the bungalows must be ready before 15 September in time for the commencement of the European holiday season which starts on the 1 October. Soft Thatch only finishes the work at the end of November and most of the new thatch roofs leak when it rains. The reason why the bungalows are not thatched by the agreed time is that Soft Thatch did not order enough grass in time and therefore spent weeks waiting for their suppliers to deliver enough grass.

Which form/s of breach of contract occurred in this set of facts?

1. *mora debitoris* and positive malperformance.
2. Prevention of performance by the debtor and *mora debitoris*
3. *mora creditoris* and positive malperformance
4. Only *mora debitoris* (2)

QUESTION 33

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
4. Rectification (2)

QUESTION 34

Which **ONE** of the following statements regarding the *exceptio non adimpleti contractus* is **CORRECT**?

1. It is available to the defendant where the plaintiff has cancelled the contract because of the defendant’s breach of the contract and the plaintiff claims damages instead of specific performance.
2. It is available where the plaintiff does not have to perform, for instance, in the case of a contract of donation.
3. The court will order specific performance where the plaintiff who wants to rely on specific performance by the defendant has not rendered his or her performance.
4. A court may at its discretion, refuse to allow a defendant to rely on the *exceptio* and order him or her to render a reduced counter-performance, where fairness requires it (2)

[TURN OVER]
QUESTION 35

Joe sells a set of 100 books to Jane for R10 000. When Joe delivers the books to Jane, he informs her that he has lost one of the books. Jane will be able to use the 99 books that were delivered and will also be able to purchase the missing book from the bookstore. Jane refuses to pay Joe as according to her, Joe has rendered a defective performance. Joe has heard from his friend who is a commercial law student that he can claim a reduced performance (reduced purchase price) from Jane under such circumstances.

Which ONE of the following is NOT a requirement to claim for an order for reduced performance?

1. The defendant is using the defective performance
2. The circumstances are such that it would be equitable for the court to exercise its discretion in favour of the granting of such an order
3. What the reduced contract price should be, that is, the contract price less the amount required to bring the performance up to the required standard
4. The defendant is not using the defective performance (2)

QUESTION 36

Seleke undertakes to paint Mpho’s house on 3 October. On that day, Seleke does not arrive. On 15 October Mpho hears that Seleke is on holiday until 1 February of the following year and on his return intends to move to another city.

Which ONE of the following statements is CORRECT?

1. Because Seleke is in mora ex persona, Mpho may claim damages from him.
2. The contract has become void because of supervening impossibility of performance.
3. Seleke is not released from his obligation to perform, because he has prevented his own performance.
4. Mpho may reasonably conclude that Seleke no longer intends to paint the house, and is consequently entitled to the remedies for breach of contract. (2)

QUESTION 37

Matome buys a motor vehicle from Nice Cars Dealers on hire purchase. Matome must repay the price and interest in instalments, over a period of 60 months. Matome obtains a loan from Car Bank to finance the transaction. Car Bank pays Nice Cars Dealers the cash price of the vehicle and Nice Cars Dealers transfer their rights to the hire purchase agreement to Car Bank. Consequently Matome must pay the purchase price, and interest, to Car Bank.

Which ONE of the following legal instruments was implemented in the above set of facts?

1. Delegation
2. Settlement
3. Cession
4. Merger (2)

[TURN OVER]
QUESTION 38

Jack owes Emily R30 000 in respect of several debts. Jack pays Emily an amount of R15 000, but does not stipulate which debt/s he is actually paying.

Which ONE of the following principles will apply in this case?

1. Capital is paid before interest
2. Old debts do not have preference over new debts
3. Due debts are paid before debts which have not yet fallen due
4. Onerous debts do not have preference over non-onerous debts

(2)

QUESTION 39

Which ONE of the following statements is CORRECT?

1. An agreement in terms of which a creditor and debtor agree that the former will discharge the latter from his or her contractual obligations is called release
2. Release is often accompanied by an intention to donate on the part of the debtor
3. A mere offer by the creditor to the debtor is sufficient to constitute release
4. All of the above statements are correct

(2)

QUESTION 40

Consider the following statements

A. Impossibility of performance renders a contract void if the impossibility exists at the time that the agreement is concluded
B. Impossibility of performance is a form of breach of contract if the impossibility occurs after conclusion of the contract and is culpably caused by one of the contracting parties
C. Impossibility of performance is a way whereby rights arising from contracts are terminated if the impossibility occurs after conclusion of the contract and if it is caused by factors beyond the control of the contracting parties

Which of the above statements is/are CORRECT?

1. Only A
2. Only B
3. B and C
4. A, B and C

(2)

TOTAL: 80
### PART 1 (GENERAL/ALGEMEEN) DEEL 1

**UICISE AND SURNAME**

**DATE OF EXAMINATION CENTRE (UICISE)**

**STUDENT NUMBER**

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**UNIQUE PAPER NUMBER**

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**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

\[
\begin{array}{ccccccc}
P & S & Y & 1 & 0 & 0 & -X
\end{array}
\]

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 corresponds to the answer you have chosen for each question and should be marked as follows [-]

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