

Tutorial Letter 101/3/2016

Commercial Law 1C

CLA1503

Semesters 1 & 2

Department of Mercantile Law

IMPORTANT INFORMATION:

This tutorial letter contains important information
about your module.

BAR CODE

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1 INTRODUCTION

Dear Student

We are pleased to welcome you as a student of Commercial Law 1C (**CLA1503**) and hope that you will find it interesting and rewarding. We shall do our best to make your studies for this module successful. You will be well on your way to success if you start studying early in the semester and resolve to do the assignments properly.

This tutorial letter (**CLA1503/101/2016**) contains important information about this module. We urge you to read it carefully and to keep it at hand when working through the study material, preparing the assignments, preparing for the examination and addressing questions to your lecturers.

In this tutorial letter you will find the two assignments for semester 1 and 2, instructions on the preparation and submission of the assignments (**See 7.2.1 below regarding the importance of the assignments for admission to the examinations and their contribution towards a year mark for the module**).

This tutorial letter also provides you with all the information you need with regard to the prescribed tutorial material and how to obtain it. Finally, we include in this tutorial letter certain general and administrative information concerning this module. Please study this information carefully and make sure that you obtain the prescribed material as soon as possible. Apart from this tutorial letter, you will also receive other tutorial letters during the semester. These tutorial letters will not necessarily be available at the time of registration. Tutorial letters will be dispatched to students as soon as they are available. You can also access such study material on **myUnisa**.

You are also encouraged to register on **myUnisa**, a tool which will enable you to communicate with other students and lecturers, submit assignments, access library resources and download study material. You can access **myUnisa** on <http://my.unisa.ac.za>.

For further information on **myUnisa** and other administrative information please consult the publication **my Studies @ Unisa**.

Right from the start we would like to point out that **you must read all the tutorial letters** you receive during the semester **immediately and carefully**, as they always contain important and, sometimes, urgent information.

We hope that you will enjoy this module and wish you all the best!

2 PURPOSE OF AND OUTCOMES FOR THE MODULE

2.1 Purpose

The aim of this module is to provide you with a general understanding of the South African legal system and to equip you with knowledge, skills, attitudes and competencies to analyse and solve well-defined problems relating to the general principles of the law of contract and to specific contracts and other aspects of commercial law in South Africa.

2.2 Outcomes

The outcome of this module is threefold:

- the study units that deal with the South African legal system and science of law provide you with a general overview of the law and enable you to relate the different sections of the law to one another.
- the study units that deal with the general principles of the law of contract ought to enable you to identify, analyse and solve basic legal problems relating to the law of contract. You should be able to give advice on how contracts arise, what the effect of a particular clause in a contract is, what the implications of breach of contract are and how contracts are terminated.
- the study units that deal with various types of contracts and other important aspects of commercial law are primarily to enable you to identify different types of contracts, distinguish between them.

At the end of this module you must be in a position to analyse information relating to the functioning of the South African legal system and how it applies within the South African legal framework. You must also be able to apply the general principles of the law of contract and the general business principles relating to certain specific contracts and other aspects of commercial law within a legal framework to real life situations.

3 LECTURER(S) AND CONTACT DETAILS

3.1 Lecturer(s)

The lecturers responsible for this module are as follows:

NAME	TELEPHONE NUMBER	EMAIL ADDRESS
Mr MP Makakaba (Module leader)	012 429 8567	makakmp@unisa.ac.za
Mr R van Niekerk	012 429 8394	rvanniek@unisa.ac.za
Mr MB Masuku	012 429 8836	mankgmb@unisa.ac.za

Letters should be sent to:

The Module leader (CLA1503)
 Department of Mercantile Law
 PO Box 392
 UNISA
 0003

PLEASE NOTE: Letters to lecturers may not be enclosed with or inserted into assignments.

3.2 Department

You may, alternatively also contact the departmental secretary on (012) 429 8460.

3.3 University

If you need to contact the University about matters not related to the content of this module, please consult the publication *my Studies @ Unisa* which you received with your study material. This publication contains information on how to contact the University (e.g. to whom you may write, important telephone and fax numbers, addresses and details of the times certain facilities are open).

4 MODULE-RELATED RESOURCES (Tutorial material for CLA1503)

4.1 A study guide and other tutorial letters

You will receive this tutorial material from the Department of Despatch.

4.2 Prescribed book

The **prescribed textbook** for **CLA1503** is ***General Principles of Commercial Law 8th ed (2015) Juta***, co-authored by Heinrich Schulze, Roshana Kelbrick, Tukishi Manamela, Philip Stoop, Ernest Manamela, Eddie Hurter, Boaz Masuku and Chrizzell Stoop. **You must purchase this prescribed textbook.** Prescribed books can be obtained from the University's official booksellers. If you have difficulty locating your book(s) as these booksellers, please contact the Prescribed Books Section at 012 429 4152 or email vospresc@unisa.ac.za.

Only the following chapters in the prescribed textbook have to be studied for this module:

- Chapter 1: The South African Legal System
- Chapter 2: Introduction to the Science of Law
- Chapter 3: Law of Contract: Introduction
- Chapter 4: Consensus
- Chapter 5: Capacity to Perform Juristic Acts
- Chapter 6: The Agreement must be Possible
- Chapter 7: Formalities
- Chapter 8: Terms of the Contract
- Chapter 10: Breach of Contract
- Chapter 11: Remedies for Breach of Contract
- Chapter 12: Transfer and Termination of Personal Rights
- Chapter 13: The Contract of Sale

Chapter 14: The Contract of Lease
Chapter 15: The Contract of Insurance
Chapter 20: The Law of Agency
Chapter 21: Forms of Business Enterprise
Chapter 23: Security
Chapter 30: Consumer Protection

5 STUDENT SUPPORT SERVICES FOR THE MODULE

For information on the various student support systems and services available at Unisa (e.g. student counselling, tutorial classes, language support), please consult the publication *my Studies @ Unisa* which you received with your study material.

6 MODULE-SPECIFIC STUDY PLAN

Refer to *my Studies @ Unisa* for general time management and planning skills. Please make an immediate note of the closing dates for assignments. Lecturers may not grant extensions for the submission of assignments and **failure to submit assignment 01 will mean that you do not have admission to the examination.**

7 ASSESSMENTS

7.1 ASSIGNMENTS

7.1.1 Assignments and Learning

Assignments are seen as part of the learning material for this module. When you do the assignments, study the study guide and the prescribed textbook and discuss the work with fellow students or tutors, you are actively engaged in learning.

Your assignments must **reach** us on or before the submission date. For detailed information and requirements as far as assignments are concerned, see the publication *my Studies @ Unisa*.

7.1.2 General remarks

TAKE NOTE:

ASSIGNMENTS RECEIVED AFTER THE FINAL SUBMISSION DATE WILL NOT BE MARKED

No extension for the submission of the assignments will be given. Please do not approach your lecturers with such requests, as we are unable to grant extensions. The assignments are marked by computer immediately after the due date, and therefore assignments submitted late will not be marked.

7.1.3 Format of assignments and number of assignments

- (a) Each of the two assignments consists of five multiple-choice questions for which a **mark-reading sheet** must be completed.
- (b) Assignments consisting of multiple-choice questions **must be answered on a mark-reading sheet** that will be marked by computer. Check that **Unisa** has supplied you with mark-reading sheets.
- (c) **Students may submit assignments done on mark-reading sheets by post or electronically via myUnisa.** Assignments may **not** be submitted by fax or e-mail. **Written answers on a sheet of paper will not be marked.**
- (d) For detailed information and requirements as far as assignments are concerned, see the publication **my Studies @ Unisa** which you received with your study material. You will find instructions on the use of mark-reading sheets for answering multiple-choice questions in **my Studies @ Unisa**. Read these instructions carefully and follow them strictly to avoid unnecessary mistakes.
- (e) Assignments should be addressed to:

The Registrar
PO Box 392
UNISA
0003

- (f) When submitting an assignment on a mark-reading sheet by mail, you must send **ONLY YOUR MARK-READING SHEET** in an envelope. **Do not** include a cover sheet with your mark-reading sheet.
- (g) To submit an assignment **via myUnisa**, do the following:

Go to **myUnisa**.

- Log in with your student number and password.
- Select the module.
- Click on assignments in the left-hand menu.
- Click on the assignment number you want to submit.
- Follow the instructions on the screen.

- (h) Please remember to allocate the same unique number to the assignment as the one given in the tutorial letter. Remember that your first assignment must be numbered 01 and your second assignment must be numbered 02.
- (i) Please ensure that your name, address, student number, module code, assignment number and unique number for the assignment (**see 7.1.5 below**) appear on the mark-reading sheet, **and that this information is correct.**
- (j) It is wise to **make copies of assignments** before submitting them, in case they get lost in the post.

- (k) Do not submit the same assignment a second time. The computer will simply reject it as a duplicate assignment.
- (l) Soon after the closing date of each assignment you will receive a computer printout giving your answers, the correct answers, and your marks for the assignment. You will also receive Tutorial Letters **CLA1503/201/2016** (for assignment 1) and **CLA1503/202/2016** (for assignment 2) with detailed commentary on each question of each of the two assignments.

Please note: Each year a number of students submit faulty mark-reading sheets which cannot be processed by the computer. Sheets that are rejected by the computer are returned to students without being marked.

THEREFORE, PLEASE FOLLOW THE INSTRUCTIONS CAREFULLY.

7.1.4 Commentaries and feedback on the assignments

The commentaries on the two compulsory assignments **will be send to all students registered for this module** in Tutorial Letters **CLA1503/201/2016** and **CLA1503/202/2016** as mentioned above.

As soon as you have received the commentaries, please check your answers. The assignments and the commentaries on the assignments constitute an important part of your study material for the examination.

7.1.5 Assignment submission dates and unique numbers

The closing dates for the submission of the assignments are:

FIRST SEMESTER

The first semester assignments can be found under the Addendum.

Assignment number	Submission date	Unique number
Assignment 01:	14 March 2016	644911
Assignment 02:	04 April 2016	853198

SECOND SEMESTER

The second semester assignments can be found under the Addendum.

Assignment number	Submission date	Unique number
Assignment 01:	05 September 2016	756589
Assignment 02:	26 September 2016	662789

7.2 EXAMINATION

For general information and requirements about the examination, see *my Studies @ Unisa*.

7.2.1 Examination admission

All students who submit the compulsory assignment 01 in time (before or on the date of submission) will be admitted to the examination regardless of the mark obtained for the assignment. Students, who do not submit the compulsory assignment before or on the due date, will not receive admission to write the examination. The mark obtained for the compulsory assignment will count towards your final mark.

The marks obtained for the assignments will - provided you obtain an examination mark of at least **40%** - count **20%** of your final mark. You need to obtain a sub-minimum of at least 40% in the examination before your year mark will be taken into account. This means that a student who has obtained at least 40% in the examination and who has a good year mark will have a great advantage above another student who has no year mark or a poor year mark.

7.2.2 Examination period

This module is a semester module. This means that if you are registered for the first semester you will write the examination in **May/June 2016** and the supplementary examination will be written in **October/November 2016**. If you are registered for the second semester you will write the examination in **October/November 2016** and the supplementary examination will be written in **May/June 2017**.

During the course of the semester, the Examination Section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

7.2.3 Examination paper

At the end of the semester you will write **one two-hour paper** on this module. The examination paper consists of **40 multiple-choice questions** only; each correct answer to a question counts **two marks**. The total allocation for the paper is **80 marks**. In Tutorial Letter **CLA1503/102/3/2016** we shall send you more information on the format of the examination paper.

7.2.4 Previous examination papers

Previous examination papers are available to students on myUnisa. However, please note that the lecturers will not mark these papers, nor supply the correct answers to the questions. You may also accept that examination questions will be similar to the questions asked in the activities in your study guide and in the assignments.

8 FREQUENTLY ASKED QUESTIONS

See *my Studies @ Unisa* brochure which contains an A-Z guide of the most relevant study information.

9 ADDENDUM

APPENDIX A: FIRST SEMESTER COMPULSORY ASSIGNMENTS

ASSIGNMENT 01
FIRST SEMESTER UNIQUE NUMBER: 644911
(CLOSING DATE: 14 MARCH 2016)

QUESTION 1

Which **ONE** of the following is an example of an original method of acquiring ownership?

- 1 Mmakgosi has lived on a portion of Morongwa's farm secretly for an uninterrupted period of thirty years.
- 2 Justice purchases a truck from a dealer, and the dealer delivers the truck to Justice after receiving payment for it.
- 3 Modise picks up a cellphone which someone else has thrown away, and keeps it for himself.
- 4 Neliswa inherits a farm from her grandmother, and it is duly registered in her name.

QUESTION 2

Mr and Mrs Gwebu invite 100 guests to the wedding reception of their daughter. They agree with Good Food Caterers that the cost of the reception will be calculated at R150 per guest. For that reason Mr and Mrs Gwebu state on the wedding invitation that no children are invited to the reception. No less than ten children attend the reception. Good Food Caterers charge Mr and Mrs Gwebu extra for the ten additional guests.

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

- 1 Mr and Mrs Gwebu 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 Gwebu 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.
- 3 Mr and Mrs Gwebu may refuse to pay Good 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 Gwebu 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.

QUESTION 3

Joel owes Jack an amount of R70 000. Joel and Jack enter into an agreement in terms of which Jack will cancel 30% of the debt if Joel agrees to sponsor Jack's visit to the "Blue House" brothel.

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

- 1 Joel and Jack's contract is lawful because they have reached consensus.
- 2 Joel and Jack's contract is lawful because they both have capacity to enter into juristic acts.
- 3 Joel and Jack's contract is unlawful because their agreement is contrary to public policy.
- 4 Joel and Jack's contract is unlawful because their agreement is contrary to good morals.

QUESTION 4

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

Which **ONE** of the following statements regarding the validity of the agreement between Queen and Princess is **CORRECT**?

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

QUESTION 5

Shaik, Umar, Diana and Ben conclude an agreement in terms of which they agree to run an engraving business. The object is to make a profit. Shaik will be responsible for managing the business and doing the engraving and Umar will allow the business to operate rent-free from premises which he owns. Diana will be employed as a receptionist in the business at a salary of R2 500 per month and agrees not to draw her salary until the business makes a profit. As soon as the business makes a profit she will receive her salary plus any arrears. Ben will contribute R20 000 to the business but it is agreed that R10 500 must be repaid to him after the business has been operational for one year, irrespective of whether the business is profitable or not.

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

- 1 A valid partnership agreement has not been concluded between the parties because Umar has not made, or has not agreed to make, a contribution to the business.
- 2 A valid partnership agreement has not been concluded between the parties because Shaik has not made, or has not agreed to make, a contribution to the business.
- 3 A valid partnership agreement has not been concluded between the parties because Diana has not made, or has not agreed to make, a contribution to the business.
- 4 A valid partnership agreement has not been concluded between the parties because Ben has not made, or has not agreed to make, a contribution to the business.

Total: [10]

ASSIGNMENT 02
FIRST SEMESTER UNIQUE NUMBER: 853198
(CLOSING DATE: 04 APRIL 2016)

QUESTION 1

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

- 1 Cancellation of a contract is a normal remedy which is always available to contracting parties.
- 2 An order for specific performance is a court order which commands a contracting party to render the performance he or she has undertaken to render.
- 3 Compensation for pain and suffering can be claimed on the basis of contract where it is the direct result of the breach of contract.
- 4 Damages calculated according to the creditor's negative interest places him or her in the same patrimonial position in which he or she would have been had proper and timeous performance taken place.

QUESTION 2

Which **ONE** of the following is a consequence of cession?

- 1 The right forms part of the patrimony of the cessionary and of the cedent.
- 2 The cessionary receives the claim without the disadvantages attached to it.
- 3 The claim is transferred to the cessionary in its entirety together with benefits such as interest.
- 4 Both the cessionary and the cedent have the right to collect the debt.

QUESTION 3

Kgothatso concludes an insurance contract, in terms of which she insures the life of her mother, Martha, who is sixty years old. Kgothatso undertakes to pay to the insurer, Liberty Life, a monthly premium of R120 and the insurer undertakes to pay Kgothatso R200 000 when Martha dies.

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

- 1 The actual payment of the premium is an essential requirement for the creation of an insurance contract.
- 2 Non-indemnity insurance is intended to compensate the insured for non-patrimonial loss.
- 3 Indemnity insurance is intended to compensate the insured for non-patrimonial loss.
- 4 The undertaking by the insurer to pay the amount agreed upon in the event of the damage or loss insured against occurring is not an essential requirement for a valid insurance contract.

QUESTION 4

Goitseman is mandated by Kobus to find and buy him a red 1975 Mercedes Benz 230 with low mileage. Goitseman finds and buys the car, but decides to buy the trailer, with which it was offered for sale.

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

- 1 Goitseman can claim the expenses incurred in buying the trailer, from Kobus.
- 2 Goitseman can claim remuneration for the trailer from Kobus.
- 3 Goitseman cannot claim anything from Kobus because he did what he was not supposed to do, that is buying the trailer in addition to the car.
- 4 Goitseman can claim remuneration for the sourcing and the buying of the car from Kobus.

QUESTION 5

Which **ONE** of the following statements regarding the contract of suretyship is **INCORRECT**?

- 1 A valid contract of suretyship may be concluded orally or in writing.
- 2 More than one person may render themselves liable for the same principal debt.
- 3 The surety cannot be liable for more than the principal debt.
- 4 The contract of suretyship is automatically terminated when the principal obligation is terminated.

Total: [10]

APPENDIX B: SECOND SEMESTER COMPULSORY ASSIGNMENTS

ASSIGNMENT 01
SECOND SEMESTER UNIQUE NUMBER: 756589
(CLOSING DATE:05 SEPTEMBER 2016)

QUESTION 1

Which **ONE** of the following legal systems is the basis of the South African legal system?

- 1 Dutch law
- 2 Roman law
- 3 English law
- 4 Roman-Dutch law

QUESTION 2

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

- 1 Tebogo engages a professional seafood caterer to provide seafood for her birthday party, to which twenty guests have been invited. All the guests confirm that they will attend Tebogo's birthday party. The day before the party ten of the guests inform Tebogo that they will not attend the party because they prefer to attend a street party on the same time and date in Sandton.
- 2 Nicolas enters into an agreement with himself and undertakes that he will save R500 every month by paying R500 into his savings account on the first day of the every month.
- 3 Reeze undertakes to sell the moon and one star to Shana for R1 500.
- 4 Peter purchases a new pair of running shoes for R1 000 on the official website of Nike. The shoes will be delivered at his flat in Pretoria.

QUESTION 3

Brian is a general dealer. He needs to appoint a sales person and to replace his delivery van with a bigger vehicle. If Brian finds a buyer for the van and a suitable sales person he will conclude two contracts: a contract of sale in respect of the old vehicle and a contract of employment with the suitable applicant.

Which **ONE** of the following persons does **NOT** have the full capacity to conclude these two contracts with Brian?

- 1 Gloria, seventeen years old, who has been married to Dan for the last two years. They are married out of community of property.
- 2 Steven, whose estate was sequestrated after he lost a fortune in a shady business deal. Steven has not been rehabilitated yet.

- 3 Arthur, who is married in community of property to Stella.
- 4 Themba, sixteen years old, whose parents left him behind when they immigrated to America because he had his own job and flat.

QUESTION 4

Richard and Maans agree that Richard will buy Maans' yacht for R55 000. They further agree that Richard will pay a deposit of R20 000 and will pay the balance of the amount in seven instalments of R5 000 each over the next seven months. They fail to make any provision for the possibility that the yacht might contain a latent defect.

A warranty against latent defects is an example of...

- 1 a *naturale* of the contract.
- 2 an *essentiale* of the contract.
- 3 an *incidentale* of the contract.
- 4 an implied term of the contract.

QUESTION 5

Downald and Simon enter into an agreement in terms of which Downald agrees to deliver borehole equipment to Simon by train. The agreement provides for delivery to Simon at Randfontein, not later than 15 January. On its way to Randfontein the train is delayed as a result of a serious accident between two other trains. Hence the equipment is delivered to Simon only on 17 January.

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

- 1 Downald is in breach of contract, because he has not performed by the date specified in the contract.
- 2 Simon can hold Downald liable for breach of contract since it is Downald's own fault that he sent the borehole equipment by train.
- 3 Since Simon did not give Downald a reasonable time within which to perform after the accident, Downald is not in breach of contract.
- 4 If Downald warrants delivery by 15 January, he will be in breach of contract, even though his late performance is due to circumstances beyond his control.

Total: [10]

ASSIGNMENT 02
SECOND SEMESTER UNIQUE NUMBER: 662789
(CLOSING DATE: 26 SEPTEMBER 2016)

QUESTION 1

Consider the following requirements:

- A Agreement on the purchase price
- B Agreement regarding a warranty against latent defects
- C Agreement regarding the *merx*
- D Agreement that the *merx* be delivered

Which of the above are the essential characteristics of a contract of sale?

- 1 only B and C
- 2 only A and C
- 3 only A and D
- 4 only B and D

QUESTION 2

Dikeledi and Tom agree orally that Dikeledi will lease her vineyards to Tom on condition that Tom will annually give 10 per cent of the grapes produced by him to Dikeledi, as rent.

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

- 1 No contract of lease will come into being, because the amount of the rent is not certain or ascertainable.
- 2 No contract of lease will come into being, because the rent must sound in money, that is, the lessee must compensate the lessor with money.
- 3 No contract of lease will come into being if it is agreed that Tom's stay on the farm is permanent.
- 4 No contract of lease will come into being, because the agreement relates to immovable property and is not embodied in a written document.

QUESTION 3

Which **ONE** of the following statements regarding a contract of agency/mandate is **CORRECT**?

- 1 The identity of the principal does not necessarily have to be made known by the representative.
- 2 A representative can act for a principal who does not exist.

- 3 In the case where the third party knows that the representative is acting on behalf of a principal but does not know who the principal is, the principal is known as an “undisclosed principal”.
- 4 The terms “unnamed principal” and “undisclosed principal” have the same meaning and need not be distinguished from one another.

QUESTION 4

Moses, Philip and Sophy want to start a business. They agree that Moses and Philip will each contribute R50 000, while Sophy will contribute R80 000. They want to operate their business in the form of a partnership, but are not sure about their duties and rights as partners.

Which **ONE** of the following statements regarding the rights and duties of partners is **CORRECT**?

- 1 If one of the partners fails to deliver his or her contribution to the partnership the other partners may use the *actio pro socio* to force him or her to deliver such contribution.
- 2 Each partner is entitled to share equally in the profits of the partnership.
- 3 Each partner is entitled to participate in the management of the partnership in proportion to the contribution he or she made to the partnership.
- 4 The partners may use the assets of the partnership for personal aims.

QUESTION 5

Which **ONE** of the following bodies is responsible for promoting the resolution of disputes between consumers and suppliers?

- 1 The National Prosecuting Authority
- 2 The High Court of South Africa
- 3 The Consumer Tribunal
- 4 The Consumer Commission

Total: [10]

We hope that you will enjoy this module and we wish you success with your studies.

THE LECTURERS

UNISA