

**CILEX Level 3 Certificate in Law and Practice/  
CILEX Level 3 Professional Diploma in Law and Practice**

**Unit 2 – Contract Law**

**Question paper**

**June 2022**

**Time allowed: 1 hour and 45 minutes (includes 15 minutes' reading time)**

**Instructions and information**

- It is recommended that you take **fifteen** minutes to read through this question paper before you start answering the questions. However, if you wish to, you may start answering the questions immediately.
- There are **two** sections in this question paper — Section A and Section B.
- You must answer **all** questions from Section A.
- There are three scenarios in Section B — you must choose **one** scenario and answer **all** questions relating to that scenario.
- This question paper is out of 70 marks.
- The marks for each question are shown — use this as a guide as to how much time to spend on each question.
- Write in full sentences — a yes or no answer will earn no marks.
- Full reasoning must be shown in your answers.
- Statutory authorities, decided cases and examples should be used where appropriate.
- You are allowed to make notes on your scrap paper during the examination.
- You are **not** allowed access to any statute books.
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

***Turn over***

## SECTION A

### Answer all questions

1. Define an offer, and distinguish an offer from an invitation to treat. **(5 marks)**
  
2. Explain the exception to the rule of privity of contract created by s.1 of the Contracts (Rights of Third Parties) Act 1999. **(3 marks)**
  
3. Define consideration. **(2 marks)**
  
4. Describe the effect of an 'honour clause' in a commercial agreement. **(2 marks)**
  
5. Identify any **three** factors used by the courts to determine whether a statement is a term of a contract or merely a representation. **(3 marks)**
  
6. Explain what is meant by an innominate term in a contract and identify the remedies available for breach of such a term. **(4 marks)**
  
7. Explain what is meant by a misrepresentation being fraudulent. **(3 marks)**
  
8. Identify **three** types of event which may frustrate a contract. **(3 marks)**
  
9. State what is meant by 'self-induced' frustration. **(2 marks)**
  
10. Explain the remedy of specific performance. **(3 marks)**

**(Total for Section A: 30 marks)**

## SECTION B

**There are three scenarios — you must choose one scenario and answer all questions relating to that scenario.**

### Scenario 1

Shadi runs a business making parts for loudspeakers.

In January, Shadi received an email from Euphonia asking whether he would be prepared to supply 200 pairs of A1 silk-dome tweeters for delivery on 1 May.

Shadi sent Euphonia a quotation for £70 per pair, subject to his standard terms. These included a price variation clause providing for the price to increase by £5 per pair should the cost of silk increase before delivery of the goods.

In response, Euphonia sent Shadi an order form for the tweeters at £70 per pair. Euphonia's terms on the order form did not contain a price variation clause. The order form had a section for acknowledging the terms of the order. Shadi signed and returned the form to Euphonia.

In February, Shadi entered into a second contract, with Bonson. This was a particularly profitable contract for 500 pairs of A1 silk-dome tweeters for delivery on 1 August, at £110 per pair.

To make the silk-dome tweeters for these two contracts, Shadi needed to buy some silk. He posted a letter to Vermex, offering to purchase 30 reels of silk for £1,200, for delivery in March. The letter stated that Vermex had two weeks to accept the offer.

Vermex received the letter the next day, and immediately replied by way of a correctly addressed letter sent by first class post to Shadi, accepting his offer.

Before Vermex's reply arrived, Shadi received an offer from Nusilk, offering to sell him 100 reels of silk for £1,000. He accepted Nusilk's offer, and rang Vermex to tell them that he no longer wanted to buy silk from them. When Vermex said they had a contract already, Shadi replied that he had no intention of honouring it.

Towards the end of April, Nusilk rang Shadi to tell him that they had run out of silk, as it had gone up in price so much. In order not to breach his contract with Euphonia, Shadi had to spend £1,500 buying silk from abroad. However, Shadi was unable to buy any silk for the Bonson contract and lost out on profits of £30,000 when Bonson cancelled the contract.

**Turn over**

## Scenario 1 Questions

1. (a) Explain what is meant by the 'battle of the forms'. **(4 marks)**

(b) Explain whether there is a contract between Shadi and Euphonia and, if so, what price Euphonia must pay for the tweeters. **(8 marks)**

**(Total: 12 marks)**

2. (a) Explain the Postal Rule. **(5 marks)**

(b) Explain the requirements for revocation of an offer. **(3 marks)**

(c) Explain whether a contract has been formed between Shadi and Vermex for the purchase of the reels of silk. **(6 marks)**

**(Total: 14 marks)**

3. (a) Describe the purpose of awarding damages for breach of contract. **(2 marks)**

(b) Explain what is meant by 'remoteness of loss' and the principles that govern whether a loss is too remote. **(4 marks)**

(c) Explain what damages Shadi can claim as a result of Nusilk's failure to deliver the reels of silk. **(8 marks)**

**(Total: 14 marks)**

**(Total for Scenario 1: 40 marks)**

## Scenario 2

Maryam is a farmer. She decided to have a new wood pellet burning system fitted in her luxury cowshed.

Maryam entered into a contract with Barnheat. The terms of the contract specified that Barnheat would be paid:

- £5,000 for clearing the site
- £15,000 for installing a new hopper for storing wood pellets
- £60,000 for fitting the burner and connecting the hot water pipes to each of the 50 cow's beds.

Maryam entered discussions with Lignamoo for the supply of 100 tonnes of wood pellets at a price of £30,000.

Lignamoo handed Maryam a written 'Contract Note' which described the wood pellets and their price. On the front of the Contract Note was the statement, "See terms and conditions on reverse". On its reverse was a long list of clauses in small print. One of them stated:

19. The customer must pay a fee of £200 if the goods are required to be top loaded into a hopper.

Maryam did not read or sign the Contract Note before agreeing to buy the wood pellets.

Shortly before Barnheat were due to start work, they rang Maryam to say that they did not have enough staff available to clear the site. They agreed with Maryam that if she and the farmhand would help with the work, they would knock £3,000 off the price of clearing the site.

After the site was cleared, Barnheat installed the new hopper. However, they then failed to fit the burner correctly. It leaked smoke and only heated 30 of the cows' beds properly. Barnheat told Maryam that they would not be able to fix it, as they were too busy. Maryam had to pay another contractor £20,000 to fix the burner.

Maryam took delivery of the wood pellets from Lignamoo and requested that they be top loaded into her new hopper.

Maryam was surprised to receive invoices of £30,200 from Lignamoo and £80,000 from Barnheat.

**Turn over**

## Scenario 2 Questions

1. (a) Explain the 'entire performance' rule relating to the discharge of a contract and what is meant by a divisible or severable contract.  
*(5 marks)*
- (b) Explain whether Barnheat will be entitled to recover any or all of the £5,000 for clearing the site.  
*(4 marks)*
- (c) Explain whether Barnheat will be entitled to recover any or all of the £15,000 for installing the hopper.  
*(2 marks)*
- (d) Explain whether Barnheat will be entitled to recover any or all of the £60,000 for fitting the burner and connecting the pipes.  
*(6 marks)*
- (Total: 17 marks)*
2. (a) Identify **two** ways in which express terms (such as exemption clauses) may be incorporated into contracts, citing a case for each.  
*(4 marks)*
- (b) Explain whether clause 19 of the Contract Note was incorporated into the contract between Maryam and Lignamoo.  
*(9 marks)*
- (Total: 13 marks)*
3. (a) Identify and explain **two** ways, other than by statute, in which terms may be implied into contracts.  
*(4 marks)*
- (b) (i) Identify **three** terms relating to the wood pellets which will be implied by statute into the contract between Maryam and Lignamoo;  
*(3 marks)*
- (ii) identify what type of term each of them is;  
*(1 mark)*
- (iii) identify the statute under which they are implied and state why that statute applies.  
*(2 marks)*
- (Total: 10 marks)*
- (Total for Scenario 2: 40 marks)*

### Scenario 3

Sumaiya, a dentist, has a successful practice and earns £100,000 a year.

Adam went to visit Sumaiya to have a new gold crown fitted to one of his teeth. The agreed price for the work was £600. Whilst Sumaiya was fitting the gold crown, she noticed that one of Adam's teeth had some decay. He asked her to put a filling in, which she did.

Sumaiya has a sister, Florence. Florence had recently been having a lot of toothache, so asked Sumaiya to check her teeth. Sumaiya found that Florence had cracked one of her teeth. Sumaiya said that, as a favour for her sister, she would repair it for £50, instead of the usual price of £100. Florence agreed, and Sumaiya repaired Florence's tooth.

Sumaiya has sent a bill to Adam for £600 for the gold crown, and Adam also agreed to pay £100 for the filling. Sumaiya has also sent a bill to Florence for £50.

Sumaiya also needed to buy a new dental chair. She contacted Dentaseat and asked if they had any in stock. Their sales assistant, Jemima, carefully checked the stocklist, which showed that Dentaseat had three dental chairs in the warehouse. Sumaiya was reassured by this, so placed her order for a Molachair 123 for £8,000.

Two days later, Sumaiya saw another seller selling a Molachair 124 for £2,000. This was a bargain she could not resist, so she went ahead and bought it. The Molachair 123 did not arrive until three weeks later.

Six months later, Sumaiya discovered that Dentaseat had not had any chairs in the warehouse at the time she agreed to buy the Molachair 123. Unusually, the stocklist had been wrong, as the chairs included in it had not actually been delivered to the warehouse until two weeks after Sumaiya had placed her order. She does not want the Molachair 123 anymore.

Adam has paid for his gold crown, but no longer wishes to pay for his filling. Florence does not wish to pay anything for her tooth repair.

**Turn over**

### Scenario 3 Questions

1. (a) Explain the rule of past consideration and the exception to that rule. **(5 marks)**
- (b) Explain whether Sumaiya can require Adam to pay £100 for the filling. **(6 marks)**
- (Total: 11 marks)**
2. (a) Identify the presumption as to whether domestic agreements are intended to give rise to legal relations, and the nature of the presumption. **(2 marks)**
- (b) Explain whether Sumaiya can require Florence to pay £50 for the tooth repair. **(6 marks)**
- (Total: 8 marks)**
3. (a) Define misrepresentation. **(3 marks)**
- (b) Explain whether Jemima's statement, that Dentaseat had three dental chairs in the warehouse, is a misrepresentation. **(6 marks)**
- (Total: 9 marks)**
4. Assume for the purpose of this question that Jemima's statement is a misrepresentation.
- (a) Explain what type of misrepresentation it is. **(7 marks)**
- (b) Explain whether Sumaiya has any remedies in respect of it. **(5 marks)**
- (Total: 12 marks)**
- (Total for Scenario 3: 40 marks)**

**End of the examination**

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