



NATIONAL OPEN UNIVERSITY OF NIGERIA  
FACULTY OF LAW, DEPARTMENT OF COMMERCIAL LAW  
Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi – Abuja

2021\_2 EXAMINATION

COURSE CODE: LAW233

COURSE TITLE: Law of Contract I

CREDIT UNITS: 4

- INSTRUCTIONS:**
- (a) Indicate your Matriculation Number clearly
  - (b) Attempt Question one (1) and any other three (3) questions
  - (c) Question one (1) is compulsory and carries 25 marks; while the other questions carry 15 marks each.
  - (d) Using appropriate statutory and judicial authorities, present all your points in a straightforward, coherent and orderly manner.

TIME ALLOWED: 2.5 Hours

**QUESTION 1**

- (a) Logoprint Ltd makes and design souvenir bags. Two thousand carrier bags were designed with a ‘Best Day Ever’ inscription on the bags they produced. On 1 May at 9.00 a.m. Logoprint Ltd post an advert in a Local Newspaper that ‘Blissful Union’ bags are for sale at a price of N500.00 per bag. Evelyn who is about to get married sees the advertisement. She sent a letter to Logoprint Ltd at 10.00 a.m. on 1 May asking to have 500 of the bags at N500 per bag or 2,000 at N250 per bag. Logoprint Ltd replied on 3 May at 3.05 p.m. saying that they will sell 2,000 at N350p per bag and if the price is acceptable, she should send her acceptance letter by courier post. On getting the reply same day, Evelyn instead telephoned Logoprint Ltd at 5.30 p.m., to confirm the order for 2,000 bags at N350 but the call went to a voice message. Evelyn left a voice message, but due to technical error the voice message did not get recorded on Logoprint telephone. The Black Power Swan Brewery Ltd wants the whole consignment of bags for the launch of their new ‘Gruit Ale Beer’. They send a van to the premises of Logoprint Ltd with enough cash to pay at N500 per bag. The van arrives at 4.00 p.m. on 3 May and the bags are loaded and sent on their way by 4.30 p.m. At 4.54 p.m. Logoprint Ltd sent a letter to Evelyn withdrawing their offer. Evelyn reads the letter at 10.30 a.m. on 4 May. Advise Logoprint Ltd as Evelyn is claiming that the rules on offer and acceptance mean that an enforceable contract was formed with him prior to the bags being sold to the Black Swan Brewery Ltd. 15 marks
- (b) List and discuss 4 ways by which a valid offer can be terminated. 10 marks

**QUESTION 2**

Law of contract and underlining principles cannot be fully understood without fathoming its derivation from the general source of law which has been subjected to certain theories and principles of nativity and indigeneity of the law. Embark on a voyage of discussion to the full appreciation of these concepts. 15 marks

**QUESTION 3**

Bobo and Omoge have booked a table at the Lottie’s Restaurant. They are greeted by Solomon, the head waiter. Omoge excused the group to use the convenience. While she is gone Solomon tells Bobo that the restaurant is named after the owner’s pet bird which escaped that afternoon. He tells Bobo that the owners are offering a N20,000 reward for information leading to its recovery. Posters have been put up to that effect on electric poles and trees in the area. Once seated Omoge tells Bobo about a parrot she found locked in a cartoon in her garage. She says she was running late for her date with Bobo and has not reported her find to anyone. Bobo tells her not to worry and that he will report it for her. Bobo leaves the table, gives Solomon, Omoge’s address, his name for the reward cheque, and a time at which to collect the parrot. Bobo informs Omoge that he has arranged for the bird’s collection. On the way home Omoge sees one of the posters offering the reward. Omoge is furious with Bobo as he had not mentioned the reward

and she say that at least half if not all the reward money should be hers. Later that evening the parrot's owners turn up at Omoge's house. The owners refuse to pay Bobo as they feel he did nothing towards the recovery of the bird. They thank Omoge for her help but say that as she did not know of the reward, she cannot be entitled to it.

Advise Bobo and Omoge whether they have any legal claim to the reward money offered. 15 marks

#### QUESTION 4

'To what extent is a creditor who accepts part payment of a debt in full and final settlement of that amount bound to that promise not to enforce their legal rights to claim the full amount? 15 marks

#### QUESTION 5

Sparkline Laundry Services Ltd (SLS) have purchased an industrial washing Machine for their newly open state of the art dry cleaning outlet at Banana Island from Venster Nig. Ltd. Chief Duro, the CEO of SLS Ltd placed the order for the Industrial Washing Machine in person at Venster Ltd's office/showroom. Venster Ltd completed an order form which they gave to Chief Duro, asking him to check the details of the contract. The order form had the following clause on the back: 'Venster Ltd does not accept any liability for any defects in their products which are reported later than 10 days after delivery'. Chief Duro did not read the print on the back of the form. He took notice only of the price, details of the item purchased and delivery date which were printed on the front. At the very bottom of the order form in bold red letters was written: 'Please see over for our standard terms and conditions. The industrial washing machine was delivered in February, as agreed, in plenty of time for installation and the commencement of business on 1 March. On 10 March a latent defect in the washing machine caused the machine to malfunction. SLS was unable to use the machine and was out of business for four weeks. In order to meet up with their customer's collection date SLS had to purchase new industrial washing machine from another company.

Advise Venster Ltd as to whether they will be able to rely on their exclusion clause to avoid any liability to SLS the cost of the washing. 15 marks

#### QUESTION 6

Emilo places the following advertisement in the local paper; For Sale: Business Centre, turnover of N100,000, p.m. Includes two years unexpired lease, computers, printers, photocopying machines and workspace for internet cafe. The Business Centre is situated in the business district area of Ikeja and next door to NOUN Study Centre. Rufus is interested in purchasing the Business centre, he is not interested in the income from the internet café as he intends to use this space for additional for photocopying and binding machines. Rufus visits the premise; the Business centre is crowded with NOUN students, but the internet café space is empty. Rufus asks Emilo how much of the N100,000 turnover is down to the café business, secretarial busines (typing of Projects, printing, binding and photocopying). Emilo tells him that N65,000 of the income is derived from the café business and N35,000 from the secretarial business. Emilo invites Rufus to see her account books which are stored in an office. He goes with Emilo but decides he will take her word for it as the books are covered in mouse droppings and the office very dirty. Emilo has not told Rufus that her lease of the premises had expired and that she is in the knowledge that NOUN Study centre is relocating to Victoria Island and the may eventually result in low patronage and customers as the students represents 85% of her customers. Between seeing the Business Centre and signing the contract the planned NOUN Study Centre Ikeja had relocated to Victoria Island. This has caused a substantial fall in the amount of business. Rufus also finds out that the total turnover of the business had never been more than N10,000. Advise Rufus whether he has any potential claim against Emilo on the grounds of misrepresentation. 15 marks