

**NATIONAL UNIVERSITY OF SINGAPORE**  
**EXAMINATION FOR THE DEGREE OF BACHELOR OF LAWS**  
(Semester 2 : 2011-2012)

**LC 1003**  
**LAW OF CONTRACT**

21 April 2012 – Time Allowed 2 Hours 30 Minutes

---

**INSTRUCTIONS TO CANDIDATES**

1. This examination paper contains **THREE (3)** questions and comprises **FOUR (4)** printed pages, inclusive of this cover page.
2. Answer **ALL THREE (3)** questions.
3. Answer each question in a new answer booklet.
4. This is a CLOSED BOOK examination.
5. Do not bring any material into the exam venue. A case-list and relevant statutory provisions are provided.



### Question 1

Answer either (a), (b) or (c)

(a) "The doctrine of unilateral mistake as to the terms of a contract quite rightly does not extend to a mistake about facts that have not become terms. There is no justification for the law to intervene where the non-mistaken party knowingly allows his counterpart to contract while labouring under a mistake of fact that is not a term." Discuss.

(b) "The illegality doctrine is not a principle of justice, it is a principle of policy, whose application is indiscriminate and so can lead to unfair consequences. It allows no room for the exercise of any discretion by the court and is capable of producing injustice." Discuss.

(c) "The doctrines of mistake and misrepresentation can be applied to the same facts and yet lead to very different outcomes. The contradictions are unjustifiable." Discuss.



## Question 2

Zac is planning to start a trendy gym and dance club, to be called Zanzi-Bar, through a new company which he has not yet set up. To attract customers, Zac has talks with Bruno, a celebrity fitness instructor and DJ. They agree that Bruno will be hired in due course by the new company which will own and operate the club. In the meantime, Zac commissions Bruno to assemble a team of fitness instructors whose job it will be to mingle with customers, give fitness advice and generally to entertain them while they are at the club. Zac is concerned to protect his new club concept; consequently, he and Bruno agree in writing as follows:

Clause 1: Bruno will not work for, or open, a rival business within 2 km of the Club site for a period of 18 months after leaving his position at the Club.

Clause 2: Bruno will not solicit the Club's staff to leave their employment with the Club for a period of 12 months after Bruno leaves his position at the Club.

Clause 3: Bruno will be entitled to a bonus payment of \$50,000 for each full year worked at the Club. To encourage Bruno to remain with the Club in its start-up phase, payment of earned bonuses for the first three years shall only be payable if Bruno remains employed by the Club on its third anniversary.

Zac subsequently incorporates his new company, Zanzi-Bar Ltd ("ZBL"). ZBL enters into an employment contract with Bruno as originally planned. The contract does **not** include Clauses 1 and 2 but it **does** include Clause 3. The club gets off to a stellar start and after 6 months, Zac sells his shares in ZBL to Katy. One month before the third anniversary of the club, Bruno leaves the business and sets up a rival club two blocks away from Zanzi-Bar. Bruno also entices his loyal team of fitness instructors to move with him. As a result, ZBL's business collapses. It becomes apparent that customers are attached to the fitness instructors and not to the club itself.

ZBL sues Bruno for breach of his promises contained in Clauses 1 and 2; Bruno claims they are not enforceable against him and counterclaims for his 'earned' bonuses for the first 2 years of his employment, \$100,000 (Clause 3).

Advise ZBL.



### Question 3

Beth dies leaving 60,000 Apple shares (worth \$800 each) to be divided equally between her sisters Meg, Amy and Jo. Advise Fabio, a lawyer, who acquires these shares from the sisters in the following circumstances:

(a) Meg has very little education and works as a cleaner on very low wages; she dreams of becoming a famous singer. She is distressed by Beth's death but Fabio calls her three times a day to persuade her to sell him her 20,000 shares. She finally agrees to transfer the shares to him if he can arrange for her to sing on TV. Fabio has sent off an application form for Meg to appear in a TV talent show when Meg calls to say that she has changed her mind.

(b) Amy is desperate for romance and becomes infatuated with Fabio who has suddenly 'swept her off her feet' with promises of undying devotion. Amy agrees to transfer her shares to Fabio saying: "What's mine is yours anyway when we marry, stud! But if it means that much to you, you can have them. I don't care, just pay whatever Ben at our favourite noodle stall says." Amy changes her mind when she discovers that Fabio is already married. Ben has since been committed to a mental asylum; Matt has taken over the noodle stall and tells Fabio that he thinks '\$50 is OK' for each Apple share.

(c) Jo is a promising law academic who was a classmate of Fabio's at law school. She agrees to sell her 20,000 shares for \$100 each after Fabio tells Jo that unless she does, he will tell the Dean of the law school that Jo cheated during the contract law exam, adding 'people believe that there is no smoke without fire'. She is outraged but feels she cannot risk the damage to her reputation, so she agrees.

- END OF PAPER -