

**ADVANCED
CONTRACT LAW
MODEL EXAM
2011**



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IRAC method of completing exams

- Issues** - Outline the issues that you are going to discuss.
- Rules** - Define the legal rules that are relevant to the question.
- Application** - Apply the legal rules to the facts of the question (this is the hard part!).
- Conclusion** - Tie things up, usually in the form of an advice to your hypothetical client.

Always use your reading time wisely to **PLAN YOUR ANSWER** before writing. This is of utmost importance as it will help you clarify your thoughts and ensure that you avoid following desperate exam strategies that unprepared students commonly resort to, such as:

- i) 'the kitchen sink' i.e. spilling all of your knowledge that is vaguely related to the topic onto the exam paper and hoping for the best.
- ii) 'the garden path' i.e. going off on an irrelevant tangent

Remember that the **APPLICATION IS THE MOST IMPORTANT SECTION** of your answer and should take up the bulk of your time. The actual conclusions you reach are often superfluous. Rather, your marker will be most interested in *how you arrived* at your conclusion.

Question One

Edwin entered into a contract for the sale of land with the seller, Kitty, for \$800,000 on 1 December 2009. The contract provided that a 10% deposit was to be paid immediately upon entering into the contract, with the balance to be paid in 12 monthly instalments. The contract further provided that the possession of the land was to be given to the purchaser after the payment of the deposit. In a schedule to the contract, it was indicated that the first instalment was to be paid on 1 January 2010 and the last instalment due was on 1 December 2010.

In addition, clause 10 of the contract provided as follows:

“Should the purchaser fail to punctually pay any instalment due under the contract, the seller may issue a notice terminating the contract with immediate effect, with the seller to retain all previous amounts advanced under the contract.”

Instalments for January, February, March and April were all paid on the due date by Edwin. However, by May, Edwin had run into financial difficulties and only paid the May instalment on the 15th of May 2010. Kitty did not act upon Edwin’s lateness on this occasion.

However, the problem recurred again in June and Edwin failed to meet the 1 June 2010 deadline for the June instalment. On 2 June, Kitty served a notice to Edwin terminating the contract for the “failure to pay the May and June 2010 instalments on time as agreed”. On 15 June, Edwin tendered the June instalment to Kitty, but this was not accepted by Kitty, who chose to rely on her rights under the notice served to Edwin previously.....

Question Two

Marina agreed on 1 June 2010 to purchase a block of land from Morris for \$500,000. The terms of the contract provided that the purchaser was to pay a 10% deposit upfront upon the contract being signed. In addition, it contained an additional clause under the Special Conditions section of contract for the sale of land, which stated:

“This contract is conditional upon the Purchaser acquiring adequate finance by 1 November 2010.”

The deposit was duly paid by Marina. However, due to her forgetfulness, she does not submit her loan application until 1 October. It is a well known fact that banks usually require two months to process and approve loans.

On 24 October 2010, fearing that her finance will not be approved in time, Marina emails Morris to let him know that she will be proceeding with the sale despite not having adequate finance. Morris does not reply as he believes that Marina is not entitled to waive the special condition.....

Question Three

Jason is the proprietor of “Jason’s Custom Cars”. On 1 March, he entered into a contract for the sale of a car with Elaine. Specifically, the contract entailed that Jason create a customised one-of-a-kind Buggy for Elaine for \$50,000, with a 10% upfront deposit. The car was to be completed by 15 March, with Elaine to tender payment of the balance within a reasonable time after completion of the car. Elaine duly paid the deposit on 1 March.

On 10 March, Jason completes the customised Buggy and calls Elaine to notify her of the car’s completion. Elaine replies that she will get down to the shop over the next few days to pay the balance. However, Elaine does not do so. After numerous unanswered calls to Elaine, Jason gets worried and hastily sends Elaine a written notice on the 14th of March. The contents of the notice are as follows:

“Elaine, please note that if over the next few days you fail to tender payment of the balance for the customised Buggy, I will reserve my rights in relation to the sale and will exercise them accordingly.”.....

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