



EMBU UNIVERSITY COLLEGE
(A Constituent College of the University of Nairobi)

2015/2016 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE DIPLOMA IN PURCHASING AND SUPPLIES
MANAGEMENT

BBA 108: BUSINESS LAW

DATE: APRIL 11, 2016

TIME: 08:30-10:30

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE

- a) State and explain the various sources of Kenya Law. (5 marks)
- b) What principles will the court apply when assessing unliquidated damages for breach of contract? (5 marks)
- c) Briefly explain five circumstances under which an offer may be terminated (5 marks)
- d) Describe the duties which an agent owes to his principal. (5 marks)
- e) Explain the meaning of "negotiability" in relation to bills of exchange. (5 marks)
- f) "A common carrier is an insurer of the goods carried". What does this statement mean and what are the exceptions to it? (5 marks)



QUESTION TWO

- a) K owned a cottage by the sea which was valued at £30,000, though it was only insured for £15,000. It was damaged by storms to the value of £10,000. K wishes to make a claim against the insurance company for the damages. Advise K.

Would your advice be different if K's insurance policy contained a "subject to average" clause?

(10 marks)

- b) Charles buys a second-hand sports car from Peter after reading Peter's advertisement in the local newspaper. Charles pays Peter in cash £500 the agreed price and takes delivery of the car. Two days later Charles is visited by a representative of the Bunter Finance Company who informs him that the car is the subject of a hire-purchase agreement with Peter who has not paid all the instalments. Charles refuses to surrender the car. Explain the legal position

(10 marks)

QUESTION THREE

- a) Mike writes to Peter "I will sell you my car for £ 2,000. If I hear nothing from you before next Saturday, I will take it that you have accepted". Peter does not reply by Saturday. Mike is now threatening to sue Peter for breach of contract to buy the car. Advise Peter.

(10 marks)

- b) A wrote to B offering to sell him a consignment of goods. In the letter, he asked B to telephone his decision to C, A's agent. Is there a valid contract between A and B in each of the following situations:

- i) B does not telephone C but writes to A accepting his offer. The letter is delayed and A sells the goods to D.

(5 marks)

- ii) B sends a telex to A accepting his offer.

(5 marks)

QUESTION FOUR

- a) Discuss briefly any five negotiable instruments that can be used in business today. (10 marks)
- b) John purchased a typewriter from Keith and paid the purchase price of £250 by cheque. After he had used the typewriter for a short time, John concluded that he would have found a word processor more suited to his needs. Accordingly, he telephoned his bank, Bank Limited, and instructed it not to pay the cheque. The assistant who took the telephone call from John forgot to pass the message to the bank official responsible for John's account. John followed his telephone

instruction with a confirmatory letter. John did not inform Keith that he had stopped the cheque. Keith presented the cheque which the bank, mistakenly, paid. Keith has subsequently spent the £250 on a holiday. What is the nature of the bank's liability to Keith and John?

QUESTION FIVE

- a) Explain the principles upon which insurance rests on (10 marks)
- b) Explain the various clauses in the memorandum of association (10 marks)

--END--