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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR SECOND YEAR SECOND SEMESTER

SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCO 223

COURSE TITLE: BUSINESS LAW II

DATE: 26/07/2022

TIME: 2.00 – 4.00PM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE.

(a) John Macharia, an accounts clerk at Tsavo Company Ltd, prepared a cheque for Peter Maina's signature. Peter Maina was not a duly authorized signatory of Tsavo Company Ltd. The amount on the cheque appeared in figures as Kshs 12,000 but was not written in words. Peter Maina signed the cheque and gave it to John Macharia who secretly altered the amount to read Kshs 112,000 and also wrote "One Hundred and twelve thousand shillings" in words. John Macharia then encashed the cheque at ABC bank, the company's Bank. John Macharia gave Peter Maina Kshs 12,000 and retained Kshs 100,000 which he used to purchase a plot. Tsavo Company Ltd has discovered the above facts and intends to sue ABC bank for negligence.

Required.

Analyze the legal principles applicable in the above case and advise Tsavo Company Ltd. **(8 Marks).**

- (b) With specific reference to sale of goods contract: **(4 Marks).**
- (i) Explain two implied warranties. **(4 Marks).**
 - (ii) Identify four essential characteristics of sale of goods contract. **(6 Marks).**
- (c) Outline and briefly explain three obligations of an agent to the principal. **(6 Marks).**
- (d) Explain four circumstances when the authority of a banker to pay a cheque drawn on his bank is terminated. **(8 Marks).**

QUESTION TWO.

- (a) In relation to the law governing negotiable instruments, explain four types of endorsements that may be made on a bill of exchange. **(10 Marks).**
- (b) Explain the meaning of the term "holder" in relation to a bill of exchange and outline the rights of a holder of a bill of exchange. **(10 Marks).**

QUESTION THREE.

- (a). Discuss the circumstances under which the court might order dissolution of a Partnership. **(10 Marks).**
- (b). What are the main provisions of the Kenya Partnership act (Cap 29) as to the powers and liabilities of the partners. **(10 Marks).**

QUESTION FOUR.

Write Short notes on the following:

- (a). Implied terms in Hire Purchase Agreement. **(5 Marks).**
- (b). Essentials of a bill of exchange. **(5 Marks).**
- (c). Implied warranties in a Marine Insurance Contract. **(5 Marks).**
- (d). Charter-Parties (Common carriers). **(5 Marks).**

QUESTION FIVE.

- (a). Who is a Common carrier? What is meant by the statement "A Common carrier is the insurer of goods". **(10 Marks).**
- (b). Apart from the two legal estates-leasehold and freehold, the Law of property act also lays down five legal interests in land. Identify and briefly explain them. **(10 Marks).**