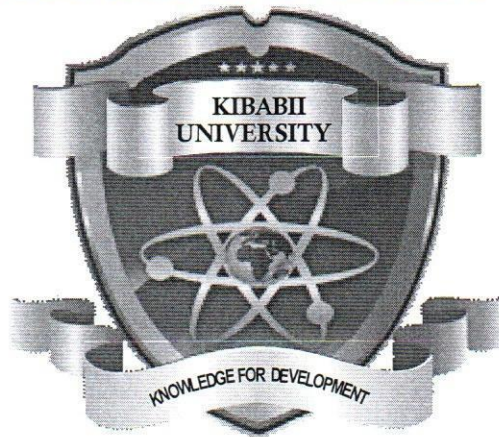


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# KIBABII UNIVERSITY



## UNIVERSITY MAIN EXAMINATIONS

2020/2021 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCO 223/BCB 207

COURSE TITLE: BUSINESS LAW 11

**DATE:** 03/08/2021

**TIME:** 9.00AM-11.00AM

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### INSTRUCTIONS TO CANDIDATES

Answer All questions in Section A and Any other TWO (2) Questions from section B

## SECTION A

### QUESTION ONE (Compulsory).

- (a) (i) In relation to the Sale of Goods Contract, explain the conditions and warranties implied in the same. **(10 Marks).**  
(ii) Highlight the essentials of a contract of the sale of goods. **(4 Marks).**
- (b) John enters into a Contract with Richard for buying Richard's motor car as agent for Joy and without Joy's authority. Richard repudiates the contract before Joy comes to know of it. Joy subsequently ratifies the contract and sues to enforce it. As a judge how would you decide this case? **(6 Marks).**
- (c) Distinguish between a 'holder' and a holder in due course. Explain fully the privileges granted to a holder in due course under the negotiable instruments act. **(10 Marks).**

## SECTION B.

### QUESTION TWO.

- (a) With specific reference to the Hire Purchase Agreement, explain at least five implied conditions and warranties contained in the same.
- (b) Explain how a hire purchase agreement differs from the following.
- |                                   |   |                   |
|-----------------------------------|---|-------------------|
| (i) A credit sale agreement.      | - | <b>(6 Marks).</b> |
| (ii) A conditional sale Agreement | - | <b>(4 Marks).</b> |

### QUESTION THREE.

- (a) Explain the circumstances under which dissolution of partnership occurs without any order of the court. **(12 Marks).**
- (b) Alex, Ben and Charles started a wholesale business in Bungoma on January, 2016 for a period of 5 years. The business suffered a loss of Shs 100,000 in the first year, Shs 150,000 in the second year and Shs 180,000 in the third year. Ben and Charles wish to dissolve the firm while Alex wants to continue the business. Advise Ben and Charles on the way forward. **(8 Marks).**

### QUESTION FOUR.

Write short notes on the following.

- |   |   |                   |
|---|---|-------------------|
| a) Agency by necessity.                               | - | <b>(5 Marks).</b> |
| b) Contents of a Partnership deed.                    | - | <b>(5 Marks).</b> |
| c) Duties of owner in a Hire Purchase Agreement       | - | <b>(5 Marks).</b> |
| d) Principle of Subrogation in an Insurance Contract. | - | <b>(5 Marks).</b> |

### QUESTION FIVE.

- (a) Analyze the following situations and advise.
- (i) Amollo sells goods to Barasa and Transfers him the document of title to the goods. Barasa pays Amollo through a cheque. In fulfillment of a contract of sale Barasa transfers that document to Chebukati. Before Chebukati could obtain

delivery of goods; Barasa's cheque has been dishonored by the bank. Hence Amollo refuses to give delivery of the goods to Chebukati until paid. Is Amollo's action justified? **(5 Marks).**

- (ii) A Policeman thinking that the driver of a matatu was drunk ordered him to stop driving, the matatu being then only a quarter mile from its destination. The driver and the conductor then authorized a passenger in the matatu to drive the vehicle home. That person drove the vehicle negligently and injured a boy on the road side. The injured boy claims damages from the owners of the matatu. Are the owners of the matatu liable? **(5 Marks).**

- (b) What are the essentials of a valid Insurance contract? - **(10 Marks).**