

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATION
RESIT/SUPPLEMENTARY / SPECIAL EXAMINATIONS
EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

BCOM 301: BUSINESS LAW II

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: FRIDAY 05/11/2021

8.30 A.M - 10.30 A.M.

INSTRUCTIONS:

- **Answer question one and any other three**
- **Do not write anything on the question paper**

Question 1

(a) A, to meet the claims of his creditors, borrowed ksh 10,000/= from B, to protect his interest, B, takes out an insurance policy on the life of A. A pays the entire amount to B and then dies. Can B recover on the policy? Give reasons for your answer. (5 marks)

(b) With reference to contract of sale of goods, explain the implied warranties on the part of the seller under Cap31 Laws of Kenya. (10 marks)

(c) Compare and contrast the contract of guarantee to contract of indemnity (10 marks)

(d) "The law of partnership is an extension of the law of agency" Discuss. (5 marks)

Question 2

(a) Peter asked Jane for a hot water bottle and inquired whether it would stand boiling water. Jane sold to Peter an American rubber bottle, saying it would stand hot, but not boiling

water. The bottle which was purchased by peter for his wife burst and injured her when it was filled with hot water. Does peter have any remedy? (5 marks)

(b) Under a contract for sale of goods, it is very important to know who has the “property in goods” at any given time. Briefly explain why this is important. (10 marks)

(c) Explain the fiduciary duties of a partner in a firm (5 marks)

Question 3

(a) Peter and Kenneth are Business Law II students at Chuka University. After their class, they had an argument as to whether a seller can ever sell what he does not own. Peter said it is possible at all. Kenneth said that at some instances it is allowed to sell what does not belong to you and yet pass a good title to the buyer.

Briefly explain who was right and instances which support your explanation. (10 marks)

(b) Explain the characteristics of a negotiable instrument. (10 marks)

Question 4

(a) Explain 5 ways by which agency relationship is created. (10 marks)

(b) Explain five principles of insurance (10 marks)

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