

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DIPLOMA IN BUSINESS MANAGEMENT

DIBM 0141: BUSINESS LAW

STREAMS: BCOM Y3S1

TIME: 2 HOURS

DAY/DATE: THURSDAY 06/12/2018

11.30 A.M – 1.30 P.M

INSTRUCTIONS

- **Answer question one and any other two questions**
- **Your answers should be clear and precise**
- **Do not write on the question paper**

1. (a) Tets sees the following advertisement in a local newspaper: For sale: Rose bushes only ksh 1200 for five Hurry-limited supplies. Send cheque to Beautiful gardens lts, PO. Box 123. Tets sends a cheque but is told the bushes are sold out. Consider whether a valid contract has been formed. [4 marks]
- (b) Explain 6 main classifications of law. [6 marks]
- (c) Describe the powers and composition of various organs of the government as vested in the constitution of Kenya 2010. [5 marks]
- (d) A contract determines circumstances in which promises made by parties shall be legally binding on them. Describe essentials five of a valid contract. [5 marks]
- (e) Explain what is meant by the following terms as used in business law.
- (i) Counter offer [2 marks]
 - (ii) Estoppel [2 marks]
 - (iii) Agency coupled with interest [2 marks]
 - (iv) Common law [1 mark]
- (f) Explain the differences between an agent and a servant. [3 marks]

2. (a) Gladys, who recently passed her driving test, decides to drive into town. On turning right at a junction, she negligently fails to see a car being driven by Jackline and crashes into it. Jackline was not wearing a seatbelt at the time of the accident, and was badly injured. Jackline's husband, Mwenda, hears of the crash and rushes to the scene of the accident; he is shocked at seeing Jackline's injuries that he shortly afterwards develops a psychiatric illness. Explain the essential ingredients of a negligence action and consider the legal liability of Gladys in the law of torts. [5 marks]
- (b) 'Parliamentary legislation is a better source of the Kenya law than subsidiary legislation' Discuss this statement with a view to highlighting only positive aspects of it. [6 marks]
- (c) With specific examples explain the duties of an agent towards the principal. [5 Marks]
- (d) In social and domestic agreements what presumption is made with regard to intention to create legal relations? How does this differ from the approach to intention in business agreements? Give examples from case law. [4 marks]
3. (a) Define a cheque and a bill of exchange. Give 3 differences between these two instruments. [7 marks]
- (b) Fundamental rights of an individual should not under any circumstance be taken away from an individual. Explain this statement by giving 5 examples of fundamental rights of an individual. [6 marks]
- (c) Abuya steals Jessica's car from her premises in town, drives it to Ndagani and sets it on fire. Abuya is caught by the police prosecuted for theft of the car. Jessica wants to sue Abuya for compensation to the damage to her car. Advise Jessica on which four courts he may have to face trial. [4 marks]
4. (a) Differentiate between a natural person and a corporation. [4 marks]
- (b) Explain three defenses to tort of defamation. [6 marks]
- (c) B told Kamau, a car dealer that he wanted a car that would be comfortable for touring purposes. Kamau recommended to B a "Bugetti" car. When it was delivered, it was found that it was neither comfortable nor suitable for touring purposes. B sued Kamau for the return of the purchase money. Can he succeed? [5 marks]
- (d) Discuss the warranties implied by the sale of goods Act. [5 marks]

