

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THARAKA UNIVERSITY COLLEGE

**FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

MBAD 801: BUSINESS LAW

STREAMS: MBAD YISI

TIME: 2 HOURS

DAY/DATE: MONDAY 05/08/2019

11.30 AM – 1.30 PM

INSTRUCTIONS:

ANSWER ALL QUESTIONS

QUESTION 1: (25 MARKS)

- (a) Jay Limited acted as an agent to Prism Manufacturers. On behalf of Prism manufactures Jay limited made several contracts with Techno distributors over a period of years. Prism manufacturers later terminated Jay limited agency but failed to notify Techno Distributors. Jay limited continued to deal with Techno limited in his own name and on his own behalf but after some years Jay Limited became insolvent. Techno Distributors as result suffered losses and now claims to be entitled to damages by the way of compensation from Prism manufacturers.
- (i) Explain five duties of Jays Limited towards Prism manufacturers. [5 marks]
 - (ii) Explain five rights of Jay limited in the contract agency. [5 marks]
 - (iii) Explain whether Prism manufacturers are liable to the acts of Jay limited after termination of the agency. [5 marks]
- (b)
- (i) Explain the difference between public international law and private international law. [2 marks]
 - (ii) Explain the rules used in the interpretation of statutes. [8 marks]

QUESTION 2 (25 MARKS)

- (a) Anold is a local car seller dealing with sale of new and used Toyota cars. During a certain period Anold received Alchi limited, John and Joe as potential clients willing to purchase cars. After inspection of the available cars, John agreed to purchase a saloon car with alloy wheels for ksh. 800,000 in cash terms but an agreement to purchase was to be drawn after seven days to allow John to source for the funds. Alchi limited entered into an agreement with Anold to supply a silver Double Cab with alloy rims and an agreement was drawn immediately, however payment shall be done after delivery. In the same day Joe entered into a written agreement with Anold for sale of a used car at a cost of ksh. 400,000 with part payment of 150,000 and the balance payable within 14 days through direct bank transfer before the car is released. After three weeks Anold delivered the Double Cab to Alchi limited without alloy wheels. Joe informed Anolds secretary that he had travelled hence could not be able to settle the entire payment of the car. At the same time Alchi limited was considering repudiating the contract due to the failure of condition as to the sale of the Double Cab.
- (i) Explain to John the difference between sale and an agreement to sell. [4 marks]
- (ii) Explain to Anold the conditions necessary and legal implications for the breach of the condition as to the agreement entered by Alchi Limited. [5 marks]
- (iii) Explain to Anold as a seller of cars his rights against the sale to Joe. [6 marks]
- (b) A registered company in Kenya is regarded as a person. Discuss. [5 marks]
- (c) Explain the difference in formation of a company and partnerships. [5 marks]

QUESTION 3 (25 MARKS)

- (a) All agreements are not contracts, but all contracts are agreement. Discuss this statement explaining the elements of a valid contract. [14 marks]
- (b) Discuss the circumstances under which an offer lapses and stand to be revoked. [6 marks]
- (c) The high court in Kenya is established by the constitution of Kenya. Explain the jurisdiction of the high court. [5 marks]

QUESTION 4 (25 MARKS)

- (a) Otieno took a lease of a house and agreed to buy the furniture in it for sh. 100,000. Otieno paid sh. 55,000 for the purpose of the furniture. After some months, while still an infant he repudiated the contract and claimed to recover the amount paid. Discuss the legal position as to whether Otieno:

- (i) Can repudiate the contract [3 marks]
(ii) He can recover the amount [3 marks]
- (b) A contract of insurance is a contract of utmost good faith. Discuss citing relevant examples. [6 marks]
- (c) Discuss four conditions necessary for an oral will to be valid. [8 marks]
- (d) A bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand a sum certain in money to or to the order of a specified person or to bearer. Explain the requirements that an instrument should comply with to be a valid bill of exchange. [5 marks]
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