

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE**

BCOM 301: BUSINESS LAW II

STREAMS: BCOM Y3S1 (ODEL)

TIME: 2 HOURS

DAY/DATE: TUESDAY 06/08/2019

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

Answer question 1 and any other TWO questions

QUESTION ONE

- (a) A horse was sent by railway from Nairobi to Kisumu. However, the owner was not present to collect it on time. The station master at Kisumu arranges for its feeding and stabling incurring an expense of Kshs. 10,000/=. The station master filed a suit to recover the money and the owner of the horse refused to pay. Decide. (5 marks)
- (b) 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)
- (c) Sasha, Wasike and Moses entered into a partnership to execute contracts contract work. Sasha secured a partnership work estimated at a cost of 10 million shillings. She obtained the said contract upon payment of Ksh. 500,000/= to a person in authority and debited the sum in the account books of the partnership as an item of expense. Wasike and Moses objected to the item. How would you decide the dispute? (5 marks)
- (d) 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)
- (e) Explain the conditions and warranties implied in hire Purchase Agreement. (10 marks)

QUESTION TWO

- (a) With reference to a contract of sale of goods, explain the implied conditions on the part of the seller under Cap31 Laws of Kenya. (8 marks)
- (b) Discuss the exceptions to the rule of caveat emptor. (12 marks)

QUESTION THREE

- (a) Distinguish between a bill of exchange and a cheque. (5 marks)
- (b) Explain the rights of a guarantor. (5 marks)
- (c) Explain the principles of insurance of Insurance. (10 marks)

QUESTION FOUR

- (a) Explain the rights of common carriers. (10 marks)
 - (b) “The law of partnership is an extension of the law of agency”. Discuss. (5 marks)
 - (c) Harry and Thuku agreed to meet for a business lunch at a restaurant in town. During the lunch, Chuma one of Thuku’s friends joined the two and begun to participate in the discussion. Chuma Told Harry that he was Thuku’s agent to which Thuku did not object. A week later, Chuma obtained goods on credit from Harry, allegedly on behalf of Thuku. Chuma has since disappeared an Harry is demanding payment from Thuku. Decide. (5 marks)
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