

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**CHUKA & THARAKA CAMPUSES**

**EXAMINATION FOR THE AWARD OF MASTERS DEGREE IN BUSINESS  
ADMINISTRATION**

**MBAD 801: BUSINESS LAW**

**STREAMS: M.Sc MBA Y1S1**

**TIME:3 HOURS**

**DAY/DATE: MONDAY 9/04/2018**

**2.30 P.M - 5.30 P.M.**

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**INSTRUCTIONS:**

- **Answer ALL Questions**
- **Do not write on the question paper**

**QUESTION ONE:**

- (a) Maryanne was offered to sell a quantity of maize to Bernice at Kshs.100 per kilogram; Bernice enquired whether Maryanne would allow credit terms. Explain if there is a contract. [2 Marks]
- (b) Amy offers to sell his bicycle to Macky for Kshs.3,000. Macky says she cann only afford to pay Kshs.2500. Amy says it is not enough. Later in the evening, Macky goes to Amy's House to say she has accepted Amy's offer but Amy says that she has changed her mind and does not want to sell the bicycle. Macky insists that she has bought the bicycle. Advise Macky. [3 Marks]
- (c) A second hand book seller published a catalogue quoting prices against various second hand books. A received letters from the customers, B, C and D, offering to buy a particular book. A wants to refuse to sell the book for the prices. Can he do so? [2 Marks]
- (d) Describe instances under which a contract may be terminated by frustration. [10 Marks]
- (e) Explain the similarities between a promissory note and a cheque. [3 Marks]

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### QUESTION TWO

- (a) Explain how the constitution and legislation are major sources of Kenyan contemporary laws. [5 Marks]
- (b) Courtrooms are not the only places legal disputes are resolved. Similarly, the process of arbitration may provide a speedily and cost effective alternative to dispute resolution. Explain how arbitration can be useful and an effective alternative to conflict resolution. [5 Marks]
- (c) Explain what constitutes a partnership and the various ways in which the partnership is terminated. [10 Marks]

### QUESTION THREE

- (a) Albert, driver of Umoja Shuttle recently died from a grisly road accident and left behind his family and a lot of property. Now his property has to be distributed to his family members and unfortunately Albert had no documents showing how his property is to be distributed. Explain what this means and how his property should devolve in the first instance. [10 Marks]
- (b) Tom, an agent was authorized by David, his principal to buy maize at a certain price. As the maize could not be obtained at this price, Tom exceeded his authority and bought the maize at a higher price in his own name. He did not disclose the fact that he was an agent. Later the principal ratified the purchase of the maize, but failed to take delivery. The seller of the maize thereupon sued David. In reference to the above case, explain in what circumstances a principal may ratify a contract. [8 Marks]
- (c) Decide if we have a contract. [2 Marks]

### QUESTION FOUR

- (a) In relation to the law governing insurance, explain three tenets of insurance. [6 Marks]
- (b) A traffic police officer, thinking that the driver of a bus was drunk, ordered him to leave the bus. The bus conductor asked a man in the street to drive the bus to its destination a kilometer away. The man drove the bus negligently and one of the passengers sustained injuries. Is the owner of the bus liable to pay to the injured passenger? [5 Marks]
- (c) Njeri, a blogger recently wrote an article in a magazine that “all journalists are frauds”. Kamau who is a journalist wants to sue Njeri. Advise Kamau on his legal position and explain which kind of defamation this is. [3 Marks]
- (d) Explain why it is important to know when property in a good passed. [6 Marks]

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**QUESTION FIVE**

- (a) Ben went for holiday in Mombasa and during his tour, he identified a car which he has been looking for. He instructed the seller to deliver the car to Nakuru where he was going to pay him the purchase price. The car was involved in an accident at Nairobi. Ben refused to pay. The seller wants to be paid. Decide giving reasons for your decision. [4 Marks]
  
- (b) Explain some of the conditions that must be upheld under the law of sale of goods. [6 Marks]
  
- (c) Describe the various instances where the African customary law is applicable in the Kenyan courts. [10 Marks]

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