

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 202: BUSINESS LAW

STREAMS:BCOM Y2S2

TIME: 2 HOURS

DAY/DATE: FRIDAY 24/09/2021

8.30 A.M – 10.30 A.M

INSTRUCTIONS

■ Answer question one and any other two questions

QUESTION ONE

- (a) Juma sees the following advertisement in a local newspaper. For sale: Rose bushes at only ksh 1200 -Hurry limited supplies. Send a cheque to beautiful Gardens ltd P.o. Box 23. Juma sends a cheque but is told that the Rose bushes are sold out. Consider whether a valid contract has been formed. [4 marks]
- (b) It is often quoted that upon incorporation a company becomes a separate legal entity, distinct from its members. Thus it acquires rights, obligation and duties which are different and distinct from those of its members. Explain the concept of a separate legal entity as relates to companies. [8 marks]
- (c) 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 seat belt at the time of the accident and was badly injured. Explain was not wearing a sea belt at the time of the accident and was badly injured. Explain the essential elements of a negligent action and consider the legal liability of Gladys. [6 marks]

- (d) In order to limit the number of cases that might otherwise be brought, the courts will only enforce those agreements which the parties intended to have legal effect. Explain four examples of agreements that do not have a legal effect. [8 marks]
- (e) Discuss four factors that may interfere with freedom of consent in a contract.[4 marks]

QUESTION TWO

- (a) Mr. AB is intending to open a restaurant. Mr. AB has hired the services of an interior decorator so as to render his future restaurant attractive. Mr. AB has paid in full the interior decorator but the latter has not yet completed his job and has failed to turn up since 30 days. Advise Mr. AB on whether a contract has been formed between him and the decorator. [10 marks]
- (b) Explain Equity as a source of law in regulation of domestic and international business sector. [4 marks]
- (c) Discuss the ways in which a contract will be terminated by:
- (i) Breach of the contract [3 marks]
 - (ii) Performance of the contract [3 marks]

QUESTION THREE

- (a) ABC Company limited has advertised that they would pay ksh 50,000 to everyone catching bronchitis after using their product as directed. Ms. Lilly used the product as directed however still contracted bronchitis and wishes to bring an action against the company for ksh 50,000. How would you advise Ms. Lilly?
[5 marks]
- (b) When seeking to determine whether an intention to create relations exists in relation to an agreement, the court is not concerned with what the parties had in their minds but rather how reasonable persons would view their actions. Discuss. [7 marks]
- (c) Due to carelessness in allowing excessive electric current to develop in his generator, the electricity supply to the locality cut after hours. As a result Ndagani factory was at a stand still during this period and lost ksh 50,000 from lost production. Drawing illustrations from the law of tort. Advise Ndagani factory.
[6 marks]

- (d) Differentiate a corporation sole and corporation aggregate. [2 marks]

QUESTION FOUR

- (a) Bett called on last week complaining that Mr. Titus had breached a contract they had entered into for the sale of a house in Chogoria. What four remedies are open to him.

[8

marks]

- (b) In relation to negotiable instruments, discuss FOUR acts that might be held to amount to negligence on the part of the collecting banker. [4 marks]

- (c) Kenya has for many years enjoyed a reputation for political stability and democratic institutions. This is attributed to the respect for the rule of law. Explain FOUR factors that limit the rule of law. [8

marks]
