



**ALUPE UNIVERSITY  
COLLEGE**  
*... Bastion of Knowledge...*

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ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

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# UNIVERSITY EXAMINATIONS

## 2019 /2020 ACADEMIC YEAR

3<sup>rd</sup> YEAR 2<sup>nd</sup> SEMESTER REGULAR EXAMINATION

### FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 313

COURSE TITLE: LAW OF FINANCIAL MARKETS

DATE:5/11/2020

TIME: 3 HOURS

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#### INSTRUCTION TO CANDIDATES

- SEE INSIDE



THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

**ANSWER QUESTION ONE COMPULSORY AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE COMPULSORY (30 MARKS)**

- (a) Discuss the various equitable remedies which may be available to an injured party who is suing for breach of contract. (10 marks)
- (b) On January 2<sup>nd</sup> 2019 Wafula, 15 years old, fraudulently told the Kamau the plaintiff that he (Wafula) was of majority age, thereby inducing kamau the plaintiff to lend him sh 14,000. payable in six month time with an interest rate of 20% . at the end of June 2019, Wafula failed to pay the sum due plus interest. Kamau has filed a case in court to push for payment of what is due to him. Advice kamau. (8 marks)
- (c) Explain the meaning of the term “Promoter”. (4 marks)
- (d) Hopeful, a private limited company has adopted Table A as its Articles of Association. The company now, wishes to alter the Articles of Association (8 marks)

**QUESTION TWO (20 MARKS)**

Mr. A, a car dealer sells second hand cars. On Thursday last week; he placed an advertisement in a daily newspaper which stated the following:

“Once in a lifetime, opportunity to own a one year old Nissan Caravan, low mileage, Kshs. 500,000 cash. The offer is valid for only one day and the car will go to the first person who accepts it.”

When Mr. B saw the advertisement, he immediately posted a letter of acceptance of Mr. A’s offer. Mrs. C also saw the advertisement and came to inspect the car after which Mrs. C offered Mr. A a cheque of Kshs. 500,000. However, Mr. A refused to accept the cheque stating that another potential buyer had already offered to buy the car.

Later in the day Ms D, another interested buyer telephoned Mr. A informing him that she was willing to buy the car but asked Mr. A if he would keep the offer open until she could go to her bank to obtain a loan. Mr. A accepted the request. However later, in the day, Mr. E, another potential buyer said that he would pay Sh. 600,000 in cash for the car. Mr. A agreed to sell the car to Mr. E On Monday morning, Mr. A received Mr. B’s letter of acceptance. At the same time, Mr. E returned to complete the transaction. However, in the afternoon Mr. E telephoned Mr. A to say that he had second thoughts and he no longer wished to purchase the car.

Explain the legal principles in the case in relation to:

- (a) Mr. A (4 marks)
- (b) Mr. B (4 marks)
- (c) Mrs. C (4 marks)
- (d) Ms. D (4 marks)
- (e) Mr. E (4 marks)

**QUESTION THREE (20 MARKS)**

- a) What is insider trading? (2 marks)
- b) Harvard Business Review 113, Prof Henry Mann argues that, insider trading should not be regulated in that it serves certain purposes. Whereas other authors justify the intervention by regulation, give any four arguments for and against insider trading ( 8 marks)
- c) The RBA is a body that oversees all pension funds in Kenya. explain any five primary functions of retirement benefit authority (RBA) (10 marks)

**QUESTION FOUR (20 MARKS)**

The attainment of political independence in Kenya in 1963 provided a strong impetus in favor of the establishment of the Central Bank as the National Monetary authority. Explain any ten functions of the central bank (20 marks)

**QUESTION FIVE (20 MARKS)**

- a) List four persons who constitute the board under CMA (4 Marks)
- b) Stock was registered in the joint names of T and H. T forged H's signature on a transfer and added his own. T delivered the transfer to B ( who was unaware of the forgery) and B obtained registration of the transfer to himself. B later transferred the shares to C to whom B delivered a transfer and the certificate issued to him. When the forgery was discovered, H claimed to be restored to the register as holder of the shares (T had died meanwhile) and the corporation, being estoppel against C, purchased shares in the market for registration as replacement in the name of H. The corporation claimed compensation from B. Advise the corporation (5 marks)
- c) Janet and Jackson Onyango are forming a Limited Liability Company. They are seeking your legal advice on the issues listed below. Respond to the enquiries by Janet and Jackson Onyango on:
  - i. What are the Memorandum and Articles of Association and is there a difference between the two (6 marks)
  - ii. What details would you expect Articles of Association to contain and what other (5 marks)

