



OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

UNIVERSITY EXAMINATIONS

2018 /2019 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER REGULAR EXAMINATION

FOR THE DEGREE OF BACHELOR OF BUSINESS

MANAGEMENT

COURSE CODE: BBM 215

COURSE TITLE: BUSINESS LAW

DATE: 19/12/2018

TIME: 9.00AM.-12.00PM



INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF ~~4~~ PRINTED PAGES

PLEASE TURN OVER

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions
- ii. Do not write on the question paper

QUESTION ONE

- a) In relation to the law governing Negotiable Instruments, explain four types of endorsements that may be made on a Bill of Exchange. (4 marks)
- b) AkiliMingi owns a house at Muthaiga in Nairobi valued at Sh. 20 million. He insured it against fire with Linda Mali Insurance Co. Ltd and Pokea Insurance Co. Ltd for Sh. 15 million and Sh. 10 million respectively. He also insured his household goods against burglary with Lipa Insurance Co. Ltd. for Sh. 5 million. One night while he was away, burglars broke into the house, stole all household goods and set the house on fire completely destroying it.

AkiliMingi claims the sum assured from the three insurance companies. Advise them. (8 marks)

- c) Explain the meaning of the rule "*Nemodat quod non habet*" as stipulated in the Sale of Goods Act. (4 marks)
- d) Discuss the main exceptions to the rule. (10 marks)
- e) Explain the legal principles that govern double insurance of goods. (4 marks)

QUESTION TWO

- (a) A partnership is basically a matter of agreement between the parties or partners in the business. Section 24 of the Partnership Act sets out rules which apply in the absence of express or implied agreement to the contrary. Outline five of these rules. (10 marks)

- (b) A partner has a right to seek for the dissolution of a partnership. Explain the circumstances under which the court will generally order the dissolution of a partnership
(10 marks)

QUESTION THREE

- (a) In relation to the Sale of Goods Act:
- (i) Explain four rules that govern delivery of goods. (8 marks)
 - (ii) Outline the circumstances under which the unpaid seller may exercise his right of lien. (6 marks)
- (b) Ndolo attended an auction conducted by Fagia Auctioneers Ltd. The auction goods were displayed in three different lots. However, Ndolo bid for the goods under a mistaken belief that he was bidding for all the goods. Eventually, When he went to collect the goods, he found only one lot reserved for him. Ndolo is aggrieved and seeks your legal advice.

Advise him. (6 marks)

QUESTION FOUR

- (a) In relation to the Law of Agency, explain five circumstances under which an agent may be held personally liable to third parties. (10 marks)
- (b) Raju appointed Kariuki to transport fresh fish from Mombasa to Nairobi. As Kariuki was preparing to leave Mombasa to Nairobi, it rained heavily and the ThangeRiverBridge was swept off. As a result, Kariuki chartered a flight to Nairobi to deliver the fish as he feared the fish would go bad and he was unable to immediately contact Raju. However, upon arrival in Nairobi and delivery of fish, Raju refused to reimburse Kariuki charges for the flight Kariuki intends to sue Raju. Advise him. (10 marks)



BBM 215

QUESTION FIVE

Alex is a customer at Pesa Bank. Three days ago, he visited the bank and complained that he had noticed from his bank statement that three unauthorized withdrawals had been made and his account debited. Investigations reveal that the withdrawals were made by Charles. Alex's office messenger who stole Alex's cheque book made out the payments and subsequently forged Alex's signature.

Explain the legal position of Pesa Bank.
