

2903/106

2906/106

2907/106

2924/106

**BUSINESS LAW**

**November 2017**

**Time: 3 hours**



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**DIPLOMA IN SUPPLY CHAIN MANAGEMENT  
DIPLOMA IN BUSINESS MANAGEMENT  
DIPLOMA IN CO-OPERATIVE MANAGEMENT  
DIPLOMA IN INVESTMENT MANAGEMENT**

**MODULE I**

**BUSINESS LAW**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.*

*Answer any FIVE questions in the answer booklet provided.*

*All questions carry equal marks.*

*Candidates should answer the questions in English.*

**This paper consists of 3 printed pages.**

**Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

1. (a) Benasa Limited entered into two valid contracts with Kipawa Limited to supply electrical materials and to construct a new building. Unfortunately, fire razed down the factory in which they planned to manufacture the electrical materials. Heavy rains also brought down the new building they had started constructing for the company. Advise Benasa Limited on the legal position regarding the two contracts. (10 marks)
- (b) Explain the application of the concept of vicarious liability with regard to independent contractors. (10 marks)
2. (a) In relation to the employment law, highlight **five** obligations of an employee. (10 marks)
- (b) Mutu came across an ox as he was walking home late one night, which he took home. A week later, he counted himself lucky to have acquired the ox. He has decided that even if claimed, the owner would have to pay him a reasonable fee. Explain Mutu's position regarding the acquisition of good title. (10 marks)
3. (a) Outline **four** circumstances under which the Kenya Court of Appeal would be free to depart from an earlier decision of its own, regarding a case. (8 marks)
- (b) (i) In relation to the law of agency, highlight **four** requirements of a valid ratification. (8 marks)
- (ii) Basil, an agent, regularly receives special instructions limiting his authority from his principal. Otondo transacted with the agent in good faith, unaware of the new limitations. Determine the liability of the parties. (4 marks)
4. (a) Outline **four** challenges faced by county governments in delivering services to the public. (8 marks)
- (b) Explain **six** ways in which a banker's authority to pay a cheque drawn on him may be terminated. (12 marks)
5. (a) Describe the procedure of devolving the estate of a person who died intestate and left behind a spouse and children. (10 marks)
- (b) Explain **five** sources of law in Kenya. (10 marks)
6. (a) Explain **four** vitiating factors that may affect the validity of a contract. (10 marks)
- (b) (i) Explain **three** ways in which agency may be terminated by the act of the parties. (6 marks)
- (ii) Outline **two** exceptions to the termination methods identified in (i) above. (4 marks)

7. (a) Highlight **four** differences between a tort and a contract. (8 marks)
- (b) In relation to the law of property, explain:
- (i) **two** classes of personal property;
  - (ii) the process of creating legal mortgages. (12 marks)

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