

2015/2016 ACADEMIC YEAR

SECOND YEAR, SECOND SEMESTER EXAMINATION

FOR DEGREE IN BACHELOR IN AGRIBUSINESS MANAGEMENT

AGB 211: BUSINESS LAW AND ETHICS

INSTRUCTIONS

- **Answer Question ONE (1) and any other THREE (3) Questions**

QUESTION ONE

- (a) The law derives its force and validity from some sources”. Discuss the sources of law in descending order in Kenya. (11 marks)
- (b) Peters car has been stolen. He places an advertisement in the Morrison Evening News stating that a reward of £1,000 will be given to any person who provides information leading to recovery of the car -provided the reward is claimed by 1st January. Andrew, a policeman, finds the car, which has suffered severe damage. His best friend tells him about the reward and Andrew applies for it by a letter posted on 30th December. The letter arrives at Peters house on 2nd January.
- Advise Andrew whether he has a contractual right to the reward. (8 marks)
- (c) With reference to the law governing legal personality, distinguish between a “natural person” and a legal person. (6marks)

QUESTION TWO

- (a) “Most of the important ethical values form the basis for legislation which governs business activity in general. However, while ethics deal with personal moral principles and values, laws express the standards of a society that can actually be enforced in court. “Discuss this statement. (7marks)
- (b) John and James entered into a contract in which John was to sell sugarcane to James for sh. 200,000. Unknown to the parties, the cane had been burnt the previous night following a fire outbreak at a nearby forest. James had paid John sh. 80,000 as deposit. He now intends to sue John for breach of contract. Discuss the legal principles governing this case. (8 marks)

QUESTION THREE

- (a) Explain the meaning of the term 'holder', in relation to a bill of exchange and outline the duties of a holder of a bill of exchange. (6 marks)
- (b) Discuss the equitable remedies which may be available to an injured party who is suing for breach of contract. (9 marks)

QUESTION FOUR

- (a) In relation to the law governing negotiable instruments, explain any **four** types of endorsement that may be made on a bill of exchange. (9 marks)
- (b) Explain reasons why organizations should uphold ethical behavior. (6 marks)

QUESTION FIVE

- (a) You have been asked to draft a partnership deed for a small retail firm of five partners. Highlight the matters, if any, that will omit from the partnership deed on the basis that they are implied by the Partnership Act (cap 29) of the laws of Kenya. (8 marks)
- (b) Onyango borrowed sh.25,000 (Twenty-five thousand shillings) from Kamau to be repaid within a period of three months. On enquiring from Onyango what the money was intended for, Kamau learnt that sh. 15,000 (fifteen thousand shillings) would be used to pay school fees for Atieno, Onyango's daughter who is in school. The remaining sh. 10,000 (ten thousand shillings) was for a bribe to obtain some inputs for his farm. Kamau then lent Onyango the money. Three months later, Kamau asked Onyango for repayment of the sh. 25,000 (twenty five thousand shillings) , but Onyango refused to pay.

Explain the legal principles applicable in the case and advise Kamau. (7 marks)