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**University Examinations 2015/2016**

FIRST YEAR FIRST SEMESTER EXAMINATION FOR THE

DEGREE OF

BACHELOR OF COMMERCE

FIRST YEAR SECOND SEMESTER BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

**BFB 3201: BUSINESS LAW**

**DATE: AUGUST 2016 TIME: 2 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***two***questions.

**QUESTION ONE (30 MARKS)**

1. Distinguish between law and morality (5 marks)
2. “African customary law has been recognized as a source of law in Kenya; it applies subject to some limitations.” Discuss these limitations (8 marks)
3. Mr. Juma was a shopkeeper and he had displayed a flick-knife in his shop hidden with a price tag behind it. He was arrested by the police and was charged with the offence of offering a flick-knife for sale contrary to the laws of this country. You are required:
4. To advise Juma the next course of action as a legal student (2 marks)
5. Explain whether Juma’s action of display of the flick-knife was an offer to the public. (Support your answer with a decided case). (8 marks)
6. Discuss the ways the relationship of the principal and agent may be terminated by act of the parties. (4 marks)

**QUESTION TWO (20 MARKS)**

1. Discuss five general defenses which can be raised by defendant in any action in tort. (12 marks)
2. Explain the conditions which make principal to ratify the transaction which an agent made without principal’s authority. (8 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the remedies available to the buyer where the seller is in breach of contract (10 marks)
2. Explain the conditions and warranties implied in the Hire Purchase Act. (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss the characteristics of negotiable instruments. (8 marks)
2. “One of the elements of a contract is the intention of the parties to create legal relations.” Explain how this affect:-
3. Commercial agreements. (4 marks)
4. Domestic agreements (4 marks)
5. Social agreements (4 marks)

**QUESTION FIVE (20 MARKS)**

1. Discuss the principles of insurance (10 marks)
2. Explain the exemptions to the common rule of Nemo dat quad non habet (10 marks)