

**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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**University Examinations 2016/2017**

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR

OF COMMERCE AND BACHELOR OF CO-OPERATIVE MANAGEMENT, BACHELOR OF BUSINESS ADMINISTRATION AND BACHELOR OF AGRIBUSINESS

AND MANAGEMENT

**BFB 3201: BUSINESS LAW**

**DATE: DECEMBER 2016 TIME: 2HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Describe the doctrine of vicarious liability and explain any three instances under which the employer is not liable under the doctrine (10 marks)
2. Explain what you understand by the term illegal partnerships. Give examples of such partnership (4 marks)
3. Distinguish between a condition and warranty as used in the sale of goods Act (6 marks)
4. State and explain the various ways in which a valid contract can be terminated by frustration (10 marks)

**QUESTION TWO (20 MARKS)**

1. Explain the meaning of the term sources of law (4 marks)
2. Distinguish with examples the difference between an offer and an invitation to treat

(6 marks)

1. Explain in details the duties of both the employer and employee in a principal agency relationship (10 marks)

**QUESTION THREE (20 MARKS)**

1. Discuss the circumstances under which a contract of partnership may be discharged by the operation of law (10 marks)
2. Who is an unpaid seller? State and explain the various rights of an unpaid seller against the goods and the buyer personally (10 marks)

**QUESTION FOUR (20 MARKS)**

1. Discuss with examples, the various ways in which an agency relationship may be created

(10 marks)

1. Mike entered into a contract with Miss Kenya where he hired his car to the latter for an agreed sum of shs20, 000.00 per day. Miss Kenya was a prominent business person and she intended to use the car to promote the business of pyramid schemes and Mike was aware of this. Miss Kenya defaulted in payment and Mike brought action against him. Explain the legal issues arising and what advice you would give Mike. Give reasons for your answer (10 marks)

**QUESTION FIVE (20 MARKS)**

1. Explain any five reasons as to why it has become necessary to delegate the responsibility of making laws by the national assembly to others (10 marks)
2. Distinguish between insurance and assurance as used in insurance contract (4 marks)
3. In relation to the law governing insurance, explain any three basic principles of insurance

(6 marks)