**MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**P.O. Box 972-60200 – Meru-Kenya.**

**Tel: 020-2069349, 061-2309217. 064-30320 Cell phone: +254 712524293, +254 789151411**

**Fax: 064-30321**

**Website:** [**www.must.ac.ke**](http://www.must.ac.ke) **Email:** **info@must.ac.ke**

**University Examinations 2014/2015**

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE AND BACHELOR OF BUSINESS ADMINISTRATION

AND

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT

**BFB 3201: BUSINESS LAW**

 **DATE: AUGUST 2015 TIME: 2HOURS**

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

**QUESTION ONE (30 MARKS)**

1. Mr. Mzevu is an accomplished businessman in Maua Town and who has an estate to his name and a chain of businesses. After a thorough analysis of risks that affect businesses, he has decided to work out ways of mitigating against any financial loss that may arise as a result of:
2. Business being gutted down by unexpected fire and;
3. Unknowingly engaging unfaithful employees

 Mr. Mzevu has recently diversified into the financial services sector and is running a business in the name of Nchiru Waters Micro Enterprises Credit Scheme. The credit scheme has gained prominence with the small scale holders who do not have collateral securities

Required**:**

1. Describe in details any two important insurance policies available to Mr. Mzevu (8 Marks)
2. Discuss any two commercial securities that are available to a financial institution like the one for Mr. Mzevu (10 Marks)
3. Distinguish with examples, the difference between a condition and warranty as used in the Sale of Goods Act (6 Marks)
4. State and explain any three functions of the law of tort (6 Marks)

**QUESTION TWO (20 MARKS)**

1. Discuss with examples, the various ways by which a valid contract may be terminated by frustration (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 THREE (20 MARKS**

1. Discuss with examples, the various ways in which an agency relationship may be created (10 Marks)
2. State and explain with examples the duties of parties in a banker customer relationship (10 Marks)

**QUESTION FOUR (20 MARKS)**

1. Describe the doctrine of vicarious liability and explain three instances under which the employer is not liable under the doctrine (12 Marks)
2. Distinguish between a natural person and an artificial person (8 Marks)

**QUESTION FIVE (20 MARKS)**

1. Mr. Onyango entered into a contract with Mr. Kasyoka where he hired his car to the latter for an agreed sum of shs.20,000 per day. Kasyoka was a prominent business person and he intended to use his car to promote the business of pyramid schemes and Onyango was aware of this. Kasyoka defaulted in payment and Onyango brought action against him. Explain the legal issues arising and what advise you would give Onyango. Give reasons for your answer (10 Marks)
2. Explain any three (3) implied terms of a hire purchase agreement (6 Marks)
3. In relation to the law governing insurance, explain any two (2) basic principles of insurance (4 Marks)