

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS
MANAGEMENT AND BACHELOR OF COMMERCE

AGBM 404/BPLM 302: BUSINESS LAW

STREAMS: BSC AGBM Y4S1 & BCOM Y321

TIME: 2 HOURS

DAY/DATE: FRIDAY 14/12/2018

11.30 A.M - 1.30 P.M.

INSTRUCTIONS

- Answer question ONE and any other TWO QUESTIONS
- Do not write anything on the question paper

QUESTION ONE

(a) M engaged the services of N as an estate agent to sell his 200 acres of land to be excised from his expansive farm of 300 acres situated at Nchiru, in the larger Meru County at a commission of 10% of the selling price. N not wanting to miss the deal persuaded O to purchase the piece of land but informed O that M was selling his entire parcel of land at Kshs.60,000 per acre. O having been attracted with the expansiveness of the land and its proximity to the University, offered to purchase the 300 acres at Kshs.50,000 per acres.

After intense negotiations, they finally agreed a price of Ksh.55,000 per acre. O being prominent businessman informed N that he was travelling on an urgent business tour and will entrust his son P aged 17 years to complete the deal. N went ahead and prepared a sale agreement detailing 300 acres at Kshs.55,000 per acre with 10% of the selling price being paid.

N brought the parties together namely M and P on behalf of O. And M on the firm belief that the agreement contained the terms as agreed with the agent i.e.200 acres, appended his signature on the agreement and on behalf of O, P too appended his signature. Upon his return, O requested N to take him round the farm before they could seal the deal and pay the balance of the purchasing price. They met M midway as they were touring the property, on brief discussion, O asked M the reason as to why he was disposing the entire of his land and inquired where he intended to move his family. Astonished by the question M wanted to know why he was implying that he was implying that he had sold his entire piece.

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After a brief exchange, serious disagreements have arisen out of the transaction and the matter could well be heading to the courts. O wants to be sold the entire piece as agreed with the agent but M argues that he did not sell his entire piece. M being an illiterate old man comes to you for advice as a dear friend because he wants to get your opinion before he seeks the services of advocates whom he has little trust in generally.

Required:

- (i) Establish elements of a valid contract that are present and missing in the above scenario. [18 Marks]
- (ii) Offer your opinion to M as a friend. [2 Marks]
- (b) A agreed to sell “best quality Mwea rice” to B, who did not examine the rice. After the goods were on the train, they got drenched in rain. When the goods arrived at destination, they no longer answered the description and could not be sold as “best quality rice”. Advise B. [5 Marks]
- (c) Explain 5 rights the buyer has against the seller for breach of contract. [5 Mark]

QUESTION TWO

- (a) A contract supported by consideration and the intention to enter into legal relations, may still have no legal effect due to vitiating factors which affects the validity of the contract. Explain the vitiating factors. [10 Marks]
- (b) Under a contract for sale of goods, it is very important to know who has the “property in goods” at any given time. Briefly explain why this is important. [5 Marks]
- (c) Allan writes a letter to Ken offering to sell his bicycle at Kshs.6000. Ken accepts the offer subject to the price being reduced to Kshs.5500. Allan is not willing to sell at that price and writes to Ken refusing the reduced price. Ken immediately wrote a letter to Allan agreeing to buy the bicycle at Kshs.6000. Allan refused to sell. Ken is seeking legal redress. Give him your legal opinion. [5 Marks]

QUESTION THREE

- (a) The passenger who was drunk entered on a London bus but was refused service on account of his drunkenness. He was thrown out in the result that he got stranded. He was arrested by the police and slept in police custody. He sued the bus company arguing that by entering the bus he had accepted the offer which the bus company made by frequenting that particular route. Decide. [4 Marks]
- (b) Discuss how the constitution of Kenya is a source of law in Kenya. [4 Marks]
- (c) “Distinguish between a cheque and a bill of exchange. [4 Marks]

(d) Explain 4 kinds of agents from the point of view of the extent of their authority. [8 Marks]

QUESTION FOUR

(a) Nicurson (auctioneer) advertised that there would be a sale of furniture to take place on a particular date. Trusting the information given-Harris went to the place where the auction was to take place but to his surprise no furniture was put on this day. Decide stating the relevant case. [5 Marks]

(b) An agent is appointed to bring the principal into contractual relations with third parties and the acts of the agent are the acts of the principal and the latter (principal is to be held liable. However, there are exceptions where an agent is presumed to be personally liable. Explain five exceptions. [10 Marks]

(c) Explain the characteristics of negotiable instruments. [5 Marks]

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