



GARISSA UNIVERSITY COLLEGE

(A Constituent College of Moi University)

**UNIVERSITY EXAMINATION 2016/2017 ACADEMIC YEAR ONE
SECOND SEMESTER EXAMINATION**

SUPPLEMENTARY/SPECIAL EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DIPLOMA BUSINESS MANAGEMENT

COURSE CODE: DBM 011

COURSE TITLE: BUSINESS LAW

EXAMINATION DURATION: 3 HOURS

DATE: 28/09/17

TIME: 02.00-05.00 PM

INSTRUCTION TO CANDIDATES

- **The examination has SIX (6) questions**
- **Question ONE (1) is COMPULSORY**
- **Choose any other THREE (3) questions from the remaining FIVE (5) questions**
- **Use sketch diagrams to illustrate your answer whenever necessary**
- **Do not carry mobile phones or any other written materials in examination room**
- **Do not write on this paper**

This paper consists of THREE (3) printed pages

Supplementary / special exam_

1

please turn over

Good Luck – Exams Office



QUESTION ONE (COMPULSORY)

- (a) It is always necessary to communicate acceptance of an offer to the other party to the contract. Explain whether or not you agree with the above statement. **[12 marks]**
- (b) Arnold wrote to Ben offering to sell him a consignment of goods. In the letter, he advised Ben to telephone his decision to Cecilia, Arnold's wife. Explain whether there is a valid contract between Arnold and Ben in the following situations:
- i. Ben does not telephone Cecilia but writes to Arnold accepting his offer. **[4 marks]**
 - ii. Ben sends a telex to Arnold accepting the offer. **[4 marks]**
 - iii. Explain the meaning of the term "privity of contract" and outline the exceptions to that rule. **[5 marks]**

QUESTION TWO

- (a) Differentiate between a Memorandum of Association and Articles of Association of a registered company and detail the contents of the Articles of Association. **[5 marks]**
- (b) Explain three characteristics of a private limited company. **[7 marks]**
- (c) "A corporation may be defined as a legal entity or artificial person." Explain what is meant by this statement. **[3 marks]**

QUESTION THREE

- (a) Explain the circumstances under which an agent may be held personally liable for contracts made on behalf of his principal. **[5 marks]**
- (b) Distinguish a special agent from a general agent. **[4 marks]**
- (c) What are the duties of agent towards the principal **[6 marks]**



QUESTION FOUR

- (a) Define the term law in the strict sense of the word. **[4 marks]**
- (b) Explain six sources of business law in Kenya. **[11 marks]**

QUESTION FIVE

- (a) Distinguish the following:
- i. Law and Morality, **[2 marks]**
 - ii. Public and Private Law **[2 marks]**
 - iii. Common Law and Equity **[2 marks]**
 - iv. Substantive Law and Procedural Law **[2 marks]**
 - (v) Plaintiff and defendant **[2 marks]**
- b) Explain the contractual capacity of an infant **[5 marks]**

