



**MURANG'A UNIVERSITY COLLEGE**

*(A constituent college of Jomo Kenyatta University of Agriculture and Technology)*  
**MURANG'A UNIVERSITY COLLEGE**

**BACHELOR OF BUSINESS INFORMATION TECHNOLOGY**

**HBC 2203- COMMERCIAL LAW**

**YEAR 11 SEMISTER 2**

**DATE: 26<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS**

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**INSTRUCTIONS;**

1. Answers question one and any two more questions.
2. Question one carries 25 marks and the other questions 22.5 marks each

## QUESTION ONE

- a) Patience a housewife has been married to Kimani for five years. Kimani is a manager of a leading bank. He leaves home after a heated exchange with his wife and does not return home for a week. As he was returning to his home a shopkeeper where they used to get household goods, gives him a bill of Ksh. 10,000. The shopkeeper claims that this wife borrowed goods when the husband had absconded. Justin refuses to pay the bill as he had not authorized his wife to borrow. Advice the parties. (6 marks)
- b) Charles sees a pair of shoes on display with a price tag of Ksh.500. Charles tenders the indicated Ksh.500. The shopkeeper refuses to sell. He says that the collect price is Ksh.800 and not the indicated Ksh.500. Advice Charles. (6 marks)
- c) List and explain the characteristics of a negotiable instrument. (7 marks)
- d) Explain the essential elements of negligence. (6 marks)

## QUESTION TWO

- a.) Juma owns a 10 acre farm in Muranga District. He entered into a contract with X CO Ltd, a company involved in the production of maize seeds, under which he agreed to let his farm to X Ltd. for one year so that they might use it for the production of maize seeds. It was agreed that Juma would be paid rent at the rate of Shs 5,000/= per month. At the time of the agreement, Juma told the company that the land was capable of producing seeds worth at least Shs. 1,200,000/= in a year. At the end of the first planting season the company has found that the land is less productive than the parties thought and this has been confirmed a study done at the request of the company which puts maximum production at Shs. 300,000 in a year. If the company has continued the seed project on the foregoing terms it will incur heavy losses. The company consults you wishing to know whether they have any remedies founded on mistake and/or misrepresentation. What would be you advice, citing judicial authorities? (10.5 marks)
- b.) How can agency relationship be terminated (12 marks)

### **QUESTION THREE**

- a.) Define a partnership. (4 marks)
- b.) Nyakio, Wakasa, Kibet, Ali and Ogolla are classmates at the university. They decided to come together to form a business with a view of profit. They have approached you for advice. Describe the advantages of carrying on business as a partnership as opposed to a limited liability company. (8 marks).
- c.) Explain the importance of law in the society. (10.5 marks)

### **QUESTION FOUR**

- a) Describe the characteristics of a negotiable instrument. (10.5 marks)
- b.) Explain the essentials of the tort of negligence. (12 marks)