



**STRATHMORE BUSINESS SCHOOL
BACHELOR OF FINANCIAL SERVICES
END OF SEMESTER EXAMINATIONS
BFS 1205 : BUSINESS LAW AND INSTITUTIONAL GOVERNANCE (JAN-MAR 2022)**

Date: Thursday, 17th March 2022

Time: 2 Hours

INSTRUCTIONS:

Answer **Question 1** and **Question 2** and any other **two** questions.

QUESTION 1 (COMPLUSORY)

1. Parties in commercial agreements can through their words and actions indicate that the contract is not binding in law. Which of the following is not true concerning this statement;(pick two)
 - A. Such agreements are gentleman's agreements.
 - B. If one of the parties does not keep his end of the bargain the other cannot sue in a court of law.
 - C. Such agreements are not binding in honour.
 - D. If one of the parties does not keep his end of the bargain the other can sue in a court of law.

2. The law indicates that goods in a self-service store are not on offer. This is because;
 - A. If they were on offer a contract would be made once the buyer puts the goods in his shopping basket.
 - B. All tenders need to be heard before the goods can be put on offer.
 - C. If they were on offer a contract would be made once the person at the till accepted them.
 - D. Sometimes the buyers do not have capacity to contract.

3. Which of the following is not a way in which an offer can lapse;
- A. On the death of either the offeror or offeree *before* acceptance.
 - B. By non-acceptance within the time prescribed,
 - C. When no time for acceptance is prescribed, by non-acceptance within a reasonable time.
 - D. When time for acceptance is prescribed, by acceptance within a reasonable time.
4. The postal rule is; **(pick two)**
- A. Applicable when there is implied authorization.
 - B. Not applicable when there is no authorization.
 - C. Applicable when there is only express authorization.
 - D. Applicable in the case of a letter of revocation.
5. Which of the following is a rule of acceptance;
- A. The offeror must have the intention to accept the offer.
 - B. Silence does not amount to acceptance.
 - C. Acceptance must be communicated to the offeree.
 - D. The postal rule must be expressly authorized.
6. Which of the following is not true about cross offers;
- A. A cross offer is a situation where a party dispatches an offer to another who has sent a similar offer and the two offers cross in the course of communication.
 - B. No agreement arises in the case of cross offers.
 - C. There is no consensus in cross offers
 - D. Cross offers are valid where one party is a minor and the subject matter of the contract is a necessary for the minor.
7. Which of the following is true about a standing order;
- A. It arises when a person's tender to supply goods and services to another is accepted.
 - B. If the offeror does not have the goods that are required under a standing order, he cannot be sued by the offeree.
 - C. If the offeree needs the goods that are the subject matter of a standing order, he does not have to get them from the offeror.

- D. The offeree is promising to supply the goods or services and is bound to do so when requested by the offeror.
8. Which of the following is true about the postal rule;
- A. When the postal rule is not authorized a letter of offer must reach the offeror
 - B. The postal rule is not applicable in current times. It is historic.
 - C. When the postal rule is authorized, a letter of acceptance is effective once it is posted.
 - D. A letter of revocation is not effective upon reaching the offeree.
9. Which of the following is not true about Promissory Estoppel;
- A. Promissory estoppel is an exception to the rule that consideration is required for a promise to be enforced.
 - B. The doctrine of promissory estoppel cannot apply to a new promise made by parties who are already in a contractual relationship.
 - C. Promissory estoppel applies where one party waves some or all his rights.
 - D. If a promisor's promise is relied upon and acted upon by the promisee, promissory estoppel will apply.
10. In an agency by agreement; **(pick two)**
- A. One of the parties can have no capacity to contract.
 - B. The minds of the agent and the third party must be ad idem.
 - C. There must be mutual agreement to create the agency.
 - D. A contract is agreed upon.
11. Agency by Estoppel arises where; **(pick two)**
- A. The agent tells the 3rd party that he has a principal.
 - B. The principal leads the 3rd party to believe that a particular person is his agent.
 - C. The principal makes a representation to the 3rd party about the identity of his agent.
 - D. The 3rd party makes a misrepresentation to the principal about the identity of the agent.
12. The following is necessary for agency of necessity to occur;
- A. It must be impossible to communicate with the principal.

- B. The 3rd party must have something of value that will be lost if the agent does not act.
 - C. The agent must have an emergency.
 - D. The 3rd party must act in good faith for the benefit of the principal.
13. Which of the following is not true about the remuneration of an agent;
- A. The principal must remunerate the agent if the agent completes his task.
 - B. The principal should remunerate the agent even if he has not benefited.
 - C. If the principal wrongfully revokes the agent's authority he should remunerate him.
 - D. If the agent is to blame for the failure to perform his task he should be remunerated.
14. Which of the following are true about agency of ratification; (pick two)
- A. It arises after the agent has acted.
 - B. The ratification is done by the agent.
 - C. It comes into existence when the person on whose behalf the agent purported to act and without whose authority he acted adopts the transaction as if there had been prior authorization.
 - D. It comes about if the principal makes a representation to the third party that makes the third party believe that the agent is acting for the principal.
15. Which of the following are true about agency by estoppel; (pick two)
- A. This agency arises by the equitable doctrine of estoppel.
 - B. It arises where the third party has acted without authority from the principal.
 - C. It arises where a party by word or conduct represents another to third parties as his agent and the third parties deal with the agent. The representee is estopped from denying the apparent agency.
 - D. It arises where the principal has made a promise to the agent and the agent has acted upon it. The principal is estopped from going back on his word.
16. Which of the following are not true about commercial agency of necessity; (pick two)
- A. It arises where the principal makes a promise to a third party and the third party relies on it and gets into a contract with an agent who represents the principal.
 - B. It arises where a party is in possession of another's goods whether perishable or not and an emergency arises requiring immediate action in relation to the goods.

- C. It arises where the agent is in possession of the principal
 - D. It must be impossible to communicate with the principal and as such the agent has to make a decision that will save or protect the goods.
17. Which of the following is not necessary for domestic agency of necessity to arise;
- A. The wife must have been deserted by the husband.
 - B. The wife must be free from blame
 - C. The wife's authority is restricted to pledging her husband's credit for necessaries
 - D. The husband must give the wife authority to act as agent.
18. A tort is;
- A. Created by law and statute.
 - B. Agreed upon in a contract.
 - C. Always a criminal wrong.
 - D. Remedied by quantum merit.
19. For the tort of negligence to be actionable which of the following is not necessary;
- A. There must be damages to the plaintiff.
 - B. The plaintiff must owe the defendant a duty of care.
 - C. The duty of care must have been breached.
 - D. The neighbor principle should apply in determining if there is a duty of care.
20. Which of the following is true about torts;
- A. The duty not to commit a tort is not created by law.
 - B. The duty is owed only to companies.
 - C. The remedies for torts are few.
 - D. The contract is made between a third party and a principal.

(20 Marks)

QUESTION 2 (COMPULSORY)

Mukami advertises the sale of her car in the newspaper on the 11th of November. The advert reads;

‘Mercedes Benz E Class on Sale. Car in perfect working condition. The price is Kshs 1,500,000. Acceptance must be posted.’

Angelica posts her letter of acceptance on the 11th of November. Veronica posts her letter of acceptance on the 12th of November. Ethan calls Mukami on the 12th of November and says he is willing to pay Kshs 2,000,000 for the car. Mukami sells the car to Ethan on the 12th of November. Mukami receives the letters from Angelica and Veronica on the 15th of November. Both Angelica and Veronica claim that the car belongs to them. Advise Angelica and Veronica.

(10 Marks)

QUESTION 3

a) *‘There are four cases in which slander is actionable without proof of damage’* Explain this statement. **(10 Marks)**

b) State and briefly explain any five rules of consideration. **(10 Marks)**

(TOTAL MARKS 20)

QUESTION 4

a) *‘The principal is not always liable for the torts or breaches of contract of his agent’* Explain this statement with an example. **(10 Marks)**

b) There are certain essentials that are necessary for an Agency by Ratification to be valid. Briefly explain five of them. **(10 Marks)**

(TOTAL MARKS 20)

QUESTION 5

a) Sharon the owner of Beutex Beauty Shop discovered a new floor polish that made the floor very clean. She used the floor polish and realized that it made the floor very slippery. Tausi came into the shop to buy cosmetics. She was wearing flat shoes and walked around the shop very carefully because she realized that the floor was slippery. Despite this, she slid and broke her leg. Tausi would like to sue Sharon.

i) Advice Tausi. **(10 Marks)**

ii) Would your answer in (i) above differ if Sharon had put a big sign at the entrance informing customers to walk very carefully and all the other facts of the case remain the same. **(5 Marks)**

b) i) Explain in detail what defamation is. **(3 Marks)**

ii) Give an example of a statement that is defamatory. **(1 Marks)**

iii) Give an example of a statement that is not likely to be defamatory. **(1 Marks)**

(Total 20 Marks)