



**STRATHMORE INSTITUTE  
DIPLOMA IN ENTREPRENEURSHIP  
END OF SEMESTER EXAMINATION  
DE 1203: LEGAL ISSUES AND STATUTORY REQUIREMENTS**

**DATE: 17<sup>th</sup> September 2021**

**Time: 2 Hours**

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**Instructions:**

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

**QUESTION 1 (30 MARKS)**

A student has decided to set up an online shop in Kenya that will be involved in the sale of bicycles and spare parts which will be imported from Rwanda and South Africa. The student needs your advice on a number of legal issues:

- i. The impact of international law on the business. (3 Marks)
- ii. Five (5) clauses that should be included in the contracts with the manufacturers of the bicycles who operate from Rwanda and South Africa. (5 Marks)
- iii. Three (3) ways in which disputes emanating from those contracts can be resolved. (6 Marks)
- iv. Three (3) sources of law in Kenya. (6 Marks)
- v. Five (5) benefits of the law to the business. (10 Marks)

**QUESTION 2 (15 MARKS)**

Three years down the line, the online shop has grown where it now boasts of high sales revenue and the owner now wants to expand its operations to the entire continent. The challenge is that the owner is not conversant on how one can establish the business in the different countries and of the forms of business entities one can set up.

- i. Explain on how an agency relationship can be used to expand the business to other countries. (2 Marks)
- ii. Advise on four (4) primary duties an agent will have to the business owner. (8 Marks)
- iii. Advise the business owner on what a company is and three (3) reasons why it would be an ideal business to set up prior to the expansion. (5 Marks)

### **QUESTION 3 (15 MARKS)**

The online shop now has a workforce of fifty employees who enjoy a number of benefits offered by the employer. Recently it was discovered that some of the employees had stolen money from the business and have been placed on suspension.

- i. Explain the meaning of unfair termination and the lawful process of terminating an employee's contract in Kenya. (5 Marks)
- ii. Advise on the owner on five (5) key duties an employer has to employees. (10 Marks)

### **QUESTION 4 (15 MARKS)**

Recently the online shop has suffered some setbacks after it emerged that a rival is relying on its business name to market its products and unfortunately one of its warehouses got destroyed by a fire which resulted to the loss of goods.

- i. Advise the shop owner on the ideal form of intellectual property that can protect the shop's name. (3 Marks)
- ii. What form of intellectual property can be used to protect the online shop's video advert that is currently being circulated on social media? (3 Marks)
- iii. Advise on three (3) insurance principles that will be applicable as the shop owner pursues compensation from the insurer. (9 Marks)

### **QUESTION 5 (15 MARKS)**

- i. Discuss three primary duties a seller of a good has towards the buyer. (6 Marks)
- ii. Offer two differences between an ordinary sale of goods purchase and a hire purchase transaction. (4 Marks)
- iii. Explain to the owner five (5) rights the customer who buys the goods via hire purchase has. (5 Marks)