



STRATHMORE UNIVERSITY SCHOOL OF BUSINESS
BACHELOR OF SCIENCE IN SUPPLY CHAIN OPERATIONS AND MANAGEMENT
END OF SEMESTER EXAMINATION
SCM 1105: COMMERCIAL LAW

DATE: Mon, 11th March 2024

Time: 13:00 – 15:00

Instructions

1. This examination consists of FIVE questions.
2. **Question ONE (both part A and B) is (COMPULSORY)**
3. Answer **Question ONE (both part A and B)** and any other **TWO** questions from Question 2, 3, 4 and 5.

QUESTION ONE

(30 MARKS)

Part A (Multiple Questions) (20 marks)

- (1) Which TWO of the following is true concerning contracts?
 - A. An offer can be terminated by a counter offer
 - B. A contract can be vitiated by frustration
 - C. A valid contract must have consideration
 - D. Undue influence is not a factor that can vitiate a contract (**2 marks**)
- (2) Which of the following is not a type of trespass to person?
 - A. Assault
 - B. False imprisonment
 - C. Malicious prosecution
 - D. Battery (**2 marks**)
- (3) Which TWO of the following are advantages of judicial precedent?

- A. It safeguards procedural fairness
- B. It is rich in detail
- C. It is durable
- D. It is dependable **(2 marks)**

(4) Which of the following statement is correct about strict liability torts

- A. The plaintiff must prove that it is the defendant's actions that caused the injury complained of
- B. The Plaintiff must show that the defendant was negligent
- C. The plaintiff must prove that the defendant intended to cause harm
- D. None of the above **(2 marks)**

(5) Which of the following describes an agent's ostensible authority?

- A. These are the specific powers conferred on the agent by the principal
- B. This is the authority usually exercised by agents in a particular business, employment or trade as a result of the customs and practice of that trade or employment
- C. This is the authority the law grants to an agent faced with an emergency to enable him or her deal with the goods of the principal to preserve them or lessen the extent of loss
- D. None of the above **(2 marks)**

(6) Which TWO of the following statements regarding cheques are NOT correct?

- A. A cheque is not a bill of exchange
- B. An open cheque can be paid across the counter
- C. A crossing on a cheque is an instruction to the bank not to pay the proceeds of that cheque across the counter
- D. A cheque cannot be crossed **(2 marks)**

(7) Which one of the following statements is correct?

- A. Legal actions for breach of contract must be filed within six years
- B. Slander is actionable per se
- C. Libel is defamation in a permanent form
- D. Cheques can be crossed specially or generally

(2 marks)

(8) Which of the following is not a remedy a court can give for breach of contract?

- A. Special damages
- B. Apology
- C. Injunction
- D. Rescission (2 marks)

(9) Which TWO of the following contracts entered by a minor are enforceable?

- A. A contract for the supply of necessities for the minor
- B. A contract for the purchase of land by the minor
- C. A contract of employment for the overall benefit of the minor
- D. A contract for the sale of a TV set belonging to the minor (2 marks)

(10) Which of the following conditions does a precedent have to meet before it is applied by another court?

- A. Must be reasonable
- B. Must be based on a proposition of the law
- C. Must be based on actual facts
- D. None of the above (2 marks)

Part B (10 marks)

Jules Associates is a partnership formed and registered in the Republic of Kenya. Carlita is the managing partner of this partnership. The partnership is in the business of importing and selling car accessories in Kenya. A sample of all accessories available for sale in the partnership is usually placed at the glass window of the shop so that customers can see what is available. Also inside the shop, the accessories are arranged in the shelves so that customers pick them and take them to the counter where a teller, employed by the partnership, will key in the prices, show the customer and then the customer required to pay at this point. On 3rd July 2022, Clarke (a male adult of sane mind) went to Jules Associates' shop. He pulled the trolley and went round inside the shop picking certain accessories that he needed. At the counter, he realized that he did not have enough money. He told one of the shop attendants to keep the goods for him so that he can go and get money from a nearby ATM machine. The shop attendant told him to leave the trolley in between the shelves.

When Clarke left, another customer picked some of his accessories. This customer paid for them and left. When Clarke returned, he found some of his accessories missing. When he went to the shelf to pick similar accessories he realized that they were over. He is now contemplating suing Jules Associates for breach of contract.

Jules associates have been told that you are an expert in the law of contract and have come to you for legal advice. Using the law of contracts, analyse the legal principles applicable in this situation and advice Jules Associates of its legal position **(10 marks)**

QUESTION TWO (15 MARKS)

- A. Walter has been sued by Kister for defamation. Summarize any five defences Walter may use against this suit **(10 marks)**
- B. Highlight **five** sources of business law in Kenya **(5 marks)**

QUESTION THREE (15 MARKS)

- A. Briefly explain **five** elements that can vitiate a contract **(10 marks)**
- B. State five advantages of using arbitration over court-based litigation to resolve commercial disputes **(5 marks)**

QUESTION FOUR (15 MARKS)

- A. In relation to the law of contracts, state **Five** ways a contract can be discharged. **(10 marks)**
- B. Under the law of agency, outline **Five** circumstances when an agent can be held personally liable **(5 marks)**

QUESTION FIVE (15 MARKS)

- A. Briefly describe **five** types of bills of exchange **(10 marks)**
- B. State **five** characteristics of a private limited company **(5 marks)**