



**Strathmore**  
UNIVERSITY

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

DATE: 28<sup>th</sup> April 2022

Time: 2 Hours

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**Instructions**

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

**QUESTION ONE (COMPULSORY) (30 MARKS)**

**Question One Part A (Multiple Questions)**

(1) Which TWO of the following are true regarding public companies in Kenya?

1. A public company must have a minimum of seven members
2. Members of a public company are free to transfer their shares
3. A public company can invite members of the public to subscribe to its shares
4. A public company must have 'ltd' at the end of its name

A. 1 and 2

B. 2 and 3

C. 2 and 4

D. 3 and 4

**(2 marks)**

(2) Which of TWO of the following statements concerning criminal law are correct?

A. In criminal law, the state prosecutes the accused person

B. The standard of proof required is beyond reasonable doubt

- C. The standard of proof required is a balance of probabilities
- D. The aim of criminal law is to compensate the injured party **(2 marks)**

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

- A. The plaintiff must proof 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 proof that the defendant intended to cause harm **(2 marks)**

(4) Which of the following describes an agent's actual 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)**

(5) 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)**

(6) Which of the following statements regarding negotiable instruments is correct?

- A. All negotiable instruments are transferable by simple delivery
- B. Any 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 bill of exchange is a promise to pay money at a certain time **(2 marks)**

(7) Which TWO of the following duties does a landlord/landlady owe his/her tenant?

- A. The duty to repair the common areas

- B. The duty to ensure quiet enjoyment of the premises by the tenant
- C. The duty to reimburse tenant all rent payments when the tenant vacates
- D. The duty to pay electricity and water bills **(2 marks)**

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

- A. Special damages
- B. General damages
- C. Nominal damages
- D. Express damages **(2 marks)**

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

- A. A contract for the supply of necessaries 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 is not a type of trespass to person?

- A. Assault
- B. False imprisonment
- C. Malicious prosecution
- D. Battery **(2 marks)**

### **Question One Part B**

Durry is a male adult of sane mind. He is in the business of importing and selling cars in Kenya. On 3<sup>rd</sup> January 2022, Durry sent an email to Femma saying, ‘ *I imported a Black Toyota Prado TX. I am willing to sell this car to you for Kshs. 5,000,000.00. I have sent you pictures and other specifications for the car in this email. Let me know your response by 10<sup>th</sup> January, 2022 through email*’. Femma received this email on 4<sup>th</sup> January 2022. On the same day at 2pm, Femma sent an email to Durry stating, ‘ *I like the car. However, I am willing to buy it for Kshs. 4,000,000.00*’. Durry saw this text on 4<sup>th</sup> January 2022 at 8p.m but he never responded. On 6<sup>th</sup> January, Louis (a male adult of sane mind) was passing by Durry’s car yard and he saw the Toyota Prado TX car. He liked it, took it for a road test drive and entered into a sale agreement with Durry. He drove

away with the car after making the agreed payment. On 9<sup>th</sup> January 2022, Femma went to Durry's car yard to see the car. Durry informed him that he had sold the car three days ago. Femma was annoyed and he threatened to sue Durry for breach of contract. Mr Durry has been advised that you are an expert in the law of contract. He has come to you for advice. Using the law of contract, analyze these facts and advise Mr Durry if he breached any contract with Femma. **(10 marks)**

**QUESTION TWO (OPTIONAL) (15 MARKS)**

John lives in Kamok estate where he operates a shop. In Kamok estate, residents are prohibited from having dogs. John went against the estate rules and kept a German shepherd dog to take care of his shop. One day, John's son was playing with this dog. Unfortunately, the leash of the dog got loose and the dog ran away. The dog went to Leon's house and ate Leon's hen. Leon is aggrieved and would like to seek a remedy against John. Using the law of torts, analyse these facts and advise Leon on his legal position **(15 marks)**

**QUESTION THREE (OPTIONAL) (15 MARKS)**

- A. Briefly explain four ways through which a contract can be discharged **(8 marks)**
- B. State seven general defences under the law of torts **(7 marks)**

**QUESTION FOUR (OPTIONAL) (15 MARKS)**

- A. Briefly discuss five grounds of terminating employment that are considered unfair **(10 marks)**
- B. Outline five ways an offer can be terminated **(5 marks)**

**QUESTION FIVE (OPTIONAL) (15 MARKS)**

- A. Briefly describe five types of bills of exchange **(10 marks)**
- B. List five features of limited liability companies **(5 marks)**