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2902/203

**LEGAL ASPECTS IN
SALES AND MARKETING**

July 2017

Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**BUSINESS EDUCATION SINGLE AND GROUP CERTIFICATE
EXAMINATIONS
STAGE III**

**DIPLOMA IN SALES AND MARKETING
MODULE II**

LEGAL ASPECTS IN SALES AND MARKETING

3 hours

INSTRUCTIONS TO CANDIDATES

This paper consists of SEVEN questions.

Answer any FIVE questions in the answer booklet provided.

All questions carry equal marks.

Show ALL your workings.

Candidates should answer the questions in English.

This paper consists of 3 printed pages.

**Candidates should check the question paper to ascertain that all
the pages are printed as indicated and that no questions are missing.**

1. (a) Explain **six** circumstances under which a mistake may invalidate a contract. (12 marks)
- (b) Explain **four** types of crossing that may be drawn on a cheque. (8 marks)
2. (a) Explain **five** implied conditions in a contract for the sale of goods. (10 marks)
- (b) Explain **five** shortcomings of arbitration as a means of resolving disputes. (10 marks)
3. (a) Explain **six** ways by which agency may be terminated. (12 marks)
- (b) Highlight **four** circumstances under which a buyer may reject delivery of goods. (8 marks)
4. (a) Explain the following principles of insurance:
- (i) Indemnity;
 - (ii) Insurable interest;
 - (iii) Utmost good faith;
 - (iv) Re-instatement.
- (8 marks)
- (b) Outline **six** exceptions to the maxim of *delegatus non potest delegare*. (12 marks)
5. (a) Explain **five** duties of a bailee in a contract of bailment. (10 marks)
- (b) Wele entered into a contract with Rasha to purchase a machine. Rasha was to deliver the machine to Wele at the end of the month of July 2016. On 16 July 2016, Rasha wrote to Wele stating that he would not deliver the machine as agreed. Wele considered the information as a breach of the contract and insisted on having the machine delivered to him. Three days later, Wele ordered for the same machine from another seller but failed to inform Rasha. On 28 July 2016, Rasha called Wele saying that he would now deliver the machine on the agreed date. Wele rejected the offer and decided to sue Rasha for breach of contract.
- Explain the legal principles applicable in this case. (10 marks)
6. (a) Highlight **six** rights of a hirer in a hire purchase agreement. (12 marks)
- (b) In relation to the law of carriage, explain **four** remedies available to a common carrier. (8 marks)

7. (a) Explain **five** ways in which consumer protection is manifested. (10 marks)
- (b) Mike owed Elijah Ksh. 200,000. Elijah drew a bill of exchange against Mike payable to Lisper. Elijah delivered the bill to Lisper who in turn endorsed it to Triza. Triza presented the bill to Mike for acceptance. Mike accepted to pay Ksh. 150,000 only. Triza took delivery of the bill without giving notice of the partial acceptance by Mike to prior parties. On the maturity date, Triza presented the bill to Mike for payment and was paid Ksh. 150,000. She now intends to sue Lisper for the balance of Ksh. 50,000.

Explain the legal principles applicable in this case.

(10 marks)

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