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**LEGAL ASPECTS IN SALES AND
MARKETING**

November 2016

Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN SALES AND MARKETING

MODULE II

**BUSINESS EDUCATION SINGLE AND GROUP CERTIFICATE
EXAMINATIONS**

STAGE III

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.

Maximum marks for each part of a question are as shown.

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) In relation to a contract for the sale of goods, explain **four** types of goods. (8 marks)
luxury goods Durable
perishable goods consumable
- (b) Explain **six** ways in which an agency relationship may be terminated. (12 marks)
Death - Through void
bankruptcy - court agent
insanity - Through court order
- Through misbeh
2. (a) Explain **five** differences between a right of lien and a right of stoppage in transit. (10 marks)
- (b) Explain **five** merits of arbitration as a dispute resolution mechanism. (10 marks)
cheap
less time consuming
award is binding
3. (a) In relation to a hire purchase agreement, explain **five** duties carried out by the owner of goods. (10 marks)
- To deliver goods
- To monitor po
sign the document and stamp
take care of the goods

offer
acceptance
consideration
consistency

(b) Wesley entered into a contract with Rumba, a dog breeder, for the sale of a dog. A term of the contract provided that the dog must have been a pedigree Germany shepherd. Wesley paid Ksh 20,000 to Rumba as consideration. Upon delivery of the dog, Wesley took it to a vet for immunization and general check up. To his shock, the veterinary doctor told him that the dog was a high breed between Germany shepherd and indigenous dog. Wesley is aggrieved and intends to sue Rumba.
 Explain the legal principles applicable in this case. (10 marks)

4. (a) In relation to the law of contract, explain **five** circumstances under which an aggrieved party loses the right of rescission. (10 marks)
- (b) Meti and his wife held a joint current account with Linel Bank Ltd. Both had mandate to operate the account. Mr. Meti developed a disease of the mind and became insane. The wife personally delivered a notice, in writing, to the bank about the husband's poor health condition. This notice was not acted on immediately and the bank's tellers were unaware of it. Two days later, Meti drew out a cheque for Ksh 100,000. He cashed it over the counter. Due to the condition of his mind, he misplaced the whole amount and had no recollection of what happened to it. The wife is aggrieved and intends to sue the bank. Explain the legal principles involved in this case. (10 marks)
right of the banker

5. (a) Explain **six** ways in which an insurance contract may come to an end. (12 marks)
Bankrupt
Not payment
insanity
court order
and unsound mind
Through party agreement
- (b) Kirwa instructed his agent, Wamuta, to sell his premises at Ksh 2.5 million. Wamuta was to receive a commission of Ksh 50,000 when the deal was completed. Three days later, Wamuta informed Kirwa that the best price he could get was Ksh 2.3 million. Believing his agent, Kirwa concluded the transaction for Ksh 2.3 million. He paid Wamuta the agreed commission. He subsequently learnt that the purchaser had actually paid Wamuta Ksh 2.6 million. In addition, Wamuta had received a commission of Ksh 100,000 from the buyer, a fact now known to Kirwa. Kirwa intends to take a legal action against Wamuta.
 Outline the remedies available to Kirwa under these circumstances. (8 marks)
sue of the agent
Terminate the contract
Take the money
asked to refund the money
fine the agent
end the contract of agency
solutions to
Sue Wamuta the agent
ASK for the commission
Terminate the contract with him & Wamuta
fire the agent after compensation

Kirwa sell
Wamuta Agent

6.

- (a) Highlight **five** grounds under which a guarantor may be discharged from liability. (10 marks)
- (b) Highlight **five** characteristics of a promissory note. (10 marks)

7.

- (a) Explain **four** circumstances under which a common carrier may avoid liability for loss or damage to goods delivered to him. (8 marks)
- (b) Outline **six** representations which may amount to unfair trade practices. (12 marks)

copy right
 bad products
 without alinces
 counterfeit products

corruption
 illegal products

6.

- (i) If the debt is cleared, the guarantor is discharged.
- (ii) If the principle debtor goes out and enters into another agreement with the creditor.
- ~~out of the business~~