

3174

2902/203

LEGAL ASPECTS OF SALES AND MARKETING

July 2019

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 OF 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.

Candidates should answer the questions in English.

This paper consists of 2 printed pages.

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

1. (a) Highlight **six** distinctions between a bill of exchange and a cheque. (12 marks)
- (b) Outline **four** functions of a bill of lading. (8 marks)
2. (a) Bingwa entered into a contract with Solo, a merchant, to set aside 50 bags of rice which he would pay for and take delivery the following day. Solo complied with Bingwa's request and informed him that he has placed the 50 bags aside awaiting his collection. However, Bingwa failed to collect the bags of rice on the agreed date and fire destroyed the rice at Solo's premises on the third day. Solo intends to take legal action to recover from Bingwa the price for the 50 bags of rice.
- Explain the legal principles applicable in this case. (8 marks)
- (b) Outline **six** rights of a hirer under a hire purchase agreement. (12 marks)
3. (a) Explain **six** ways in which an agency may be terminated by operation of law. (12 marks)
- (b) Explain **four** types of endorsements that may be made on a bill of exchange. (8 marks)
4. (a) Outline **six** essentials of an insurance contract. (12 marks)
- (b) A common carrier is bound to convey the goods of any person who offers to pay his hire. Outline **four** instances when a common carrier may decline to do so. (8 marks)
5. (a) The Consumer Protection Act prohibits a number of claims or trading practices which are relevant to all businesses. Explain **five** such prohibitions. (10 marks)
- (b) Ratification in agency arises when the principal adopts an unauthorized act of his agent as his own. Explain **five** requisites of a valid ratification. (10 marks)
6. (a) Mambo entered into a contract with Zawadi, a minor doing small scale farming, to supply him with 6 bags of maize. Mambo paid the price in full but Zawadi has failed to deliver the 6 bags of maize. Mambo is aggrieved and intends to sue Zawadi in a court of law.
- Explain the legal principles applicable in this case. (10 marks)
- (b) Outline **five** obligations of an arbitrator in dispute resolution. (10 marks)
7. (a) Outline **four** challenges that are associated with commercial litigations. (8 marks)
- (b) Explain **six** circumstances under which a guarantor is discharged from his guarantee. (12 marks)

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