

The  
Management  
University  
of Africa



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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF MANAGEMENT AND**  
**LEADERSHIP/ BACHELOR OF COMMERCE/ BACHELOR**  
**OF EDUCATION ARTS**

**BML 101/BCM 212/BUS 301: BUSINESS LAW/ BUSINESS LAW**  
**11**

**DATE: DECEMBER 2025**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

## **QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

### **THE ARON CASE**

Aron was a leather merchant, hide factor, and boot manufacturer in England. One of his principal customers was the Army. He has successfully traded as a sole trader, owning the entire business, its assets, and employing the workforce directly. However, after ten years of trading, he was well advised to rearrange the structure of his business. The restructuring involved Aron registering a company in Kenya. At the time of registration, the law required that there were at least seven members or shareholders of the company. Aron organised his company accordingly, and the members included himself, his wife and five of his adult children so as to comply with the legislation in effect at the time. What this achieved was a shift in the risk of the business failing off.

Once Aron created the company, he transferred all of his business assets from his personal ownership as a sole trader to the new company called Aron Co. Ltd and changed the sign over the wrought-iron gate in front of his factory. Over time, business became difficult for Aron & Co. Ltd. To borrow money for the business, Aron granted debentures over the company assets. When the company went insolvent, the lenders sought to recover their money from Aron personally.

When the litigation came on before the High Court, the judge agreed with the lender that the company was a mere alias of the founder, Aron. He decided the case and ruled that Aron should not be able to rely on the limited liability provisions of the Companies Act to avoid payment to the lender. Aron filed an appeal at the Court of Appeal. The judges deliberated on the merits of the appeal. The dissenting judge held that the company was improperly created and that the other shareholders had no genuine interest or role in the company. Aron had acted in an immoral manner and his actions were contrary to the provisions of the law, and he

was taking advantage of the legislation. The Companies Act was not intended to legalise a pretended association for the purpose of enabling an individual to carry on his own business with limited liability. The majority of the judges, however, held that company was itself an artificial person, and the law should treat all of the assets and liabilities of the business as belonging to the company as a distinct legal person.

**Required:**

- (a) Advise Aron on the effect of a company being declared as a distinct legal person as provided by the Companies Act.  
**(5 marks)**
- (b) Explain the jurisdiction and the composition of the Court of Appeal.  
**(10 marks)**
- (c) Advise Aron on the function of legislation, such as the Companies Act, on transactions undertaken by individuals and corporate entities.  
**(10 marks)**

**QUESTION TWO**

- a) Watson was late for work. As he approached a busy intersection in his car, he increased his speed to avoid a red light. As he did so, he injured a pedestrian who had the right of way and was crossing the street at the zebra crossing. Assess the extent of his liability under the tort of negligence.

**(5  
marks)**

- b) Andrian leased a shop from Kimani for a period of five and a half years. Describe five circumstances that may lead to termination of the lease.

**(10  
marks)**

### QUESTION THREE

- a) Alex guarantees payment to XYZ dealers, to the extent of twenty-five million Kenya shillings for a motor vehicle imported from Japan. Describe Alex's rights under the contract of guarantee.  
**(10 marks)**
- b) Antony handed over his goods to a bailee for storage in a godown in the Industrial Area. The bailee was violently attacked by a gang of thieves, and the goods were carried away in a waiting vehicle. Briefly explain whether the bailee is liable to pay the goods.  
**(5 marks)**

### QUESTION FOUR

- a) Faith issued a written memorandum in fulfillment of the requirements of the Hire Purchase Act. Advise Faith on the information that should be contained in the memorandum before it is enforceable by the owner.  
**(5 marks)**
- b) Describe **five** circumstances that indicate a person has an insurable interest in a property or life.  
**(10 marks)**

### QUESTION FIVE

- a) A client became insane after instructing his Advocate to defend a civil suit on his behalf. The advocate instituted without knowing that his client had become insane. Advise his family on whether the Advocate can continue to represent the client in the court.  
**(5 marks)**
- b) "A lien depends on physical possession of the goods". Describe the circumstances under which an unpaid seller can lose his right of retention on the goods.  
**(10 marks)**

**QUESTION SIX**

- a) In reference to the law of property, differentiate between ownership and possession.

**(5 marks)**

- b) Briefly explain **five** situations in which a director may be required to vacate his office.

**(10 marks)**