

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

**BCM 121/BUS 202: BUSINESS LAW I**

**DATE: 27<sup>TH</sup> JULY 2026**

**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:**

**SALE OF TIMBER**

In September 1920, a commercial agreement was entered into between a group of forest owners (the vendors) and a timber company (the purchasers). Under the agreement, the vendors undertook to sell all merchantable timber standing in a designated forest area as at a specified date. Merchantable timber was defined as trees exceeding a minimum diameter at a stated height from the ground, expressly excluding seedlings and immature trees. The timber was to be cut at a prescribed height above the ground.

The purchasers were granted exclusive rights for a period of fifteen years to access the forest, cut the timber, and utilise the vendors' existing infrastructure, including sawmills, machinery, and workers' huts. In consideration, the purchasers agreed to pay a total purchase price of £225,000, payable partly by fixed quarterly instalments and partly by variable payments calculated according to the volume of exportable timber cut each year. The quantity cut was to be verified by agents appointed by both parties.

The contract further required the purchasers to extract a minimum annual quantity of timber, unless performance was prevented by government action or events beyond the parties' control, in which case the contract period would be extended and payment obligations adjusted accordingly. Shortly after the agreement was executed, the Kenyan parliament enacted agrarian reforms which vested ownership of the forest in the State and expressly nullified all existing private rights and contracts relating to the land. From the effective date of the legislation, it became unlawful for either party to continue performing the contract. By that time, the purchasers had already paid a substantial sum towards the purchase price.

**Required:**

- (a) From the excerpt, assess whether the agreement amounted to a sale of specific goods in a deliverable state.  
**(10 marks)**
- (b) Explain whether, under Kenyan law, the property in the goods had passed to the timber company before the enactment of the agrarian reforms.  
**(5 marks)**
- (c) Describe the process of enacting national legislation in Kenya.  
**(10 marks)**

## QUESTION TWO

Makena and Atieno have operated a boutique at Kawangware Market for four years as a partnership, sharing profits equally, though without a written partnership agreement. At the commencement of the business, Makena contributed initial capital in cash, while Atieno contributed sewing machines and display shelves which were previously her personal property. During the course of the partnership, the partners jointly purchased stock and a delivery motorcycle using partnership funds, although the motorcycle was registered in Makena's name. Due to disagreements over management and profit distribution, the partners have agreed to dissolve the partnership. In view of the excerpt:

### **Required:**

- a) Briefly explain the main rules of statutory interpretation applied by a Court of law when determining what constitutes partnership property under the Partnership Act.  
**(10 marks)**
- b) Advise the partners on what constitutes partnership property.  
**(5 marks)**

**QUESTION THREE**

Alfred is employed as a senior real estate agent by a multinational property development company headquartered in Singapore, with operations across Asia and Africa. His role involves marketing commercial and residential properties, negotiating prices with prospective clients, and concluding sales on behalf of the company within limits set by his employment contract. Alfred has access to confidential company information, including pricing strategies, client databases, and future development plans.

Recently, Alfred has been negotiating several high-value property transactions. At the same time, he has been informally advising private investors for a commission, without disclosing this to his employer. In one instance, he delayed forwarding a client's deposit to the company while attempting to renegotiate his commission. In another, he disclosed projected property prices to a competing firm operating in the same market. Concerns have now arisen within the company regarding Alfred's conduct and whether he has complied with his legal obligations as an agent.

**Required:**

- a) Explain any **five** obligations Alfred owes to the company under the law of \_\_\_\_\_ agency.  
**(10 marks)**
- b) Advise the company on the possible remedies available against Alfred for breaching his duties as an agent.  
**(5 marks)**

**QUESTION FOUR**

- a) David, a professional footballer, was seriously injured during a competitive football match organized by his football club, leaving him paralysed from the waist down. The injury occurred when he was involved in a competition organised by the football club. David claims that the football club was negligent in failing to provide adequate medical support. He now seeks to sue the football club. Advise David on the legal grounds for filing the suit. **(5 Marks)**

- b) A 6-year old claimant was struck by a car as she was crossing the road. Her view had been obscured by a lorry, but the driver had indicated that it was clear to cross the road. Unfortunately, a car swerved past the lorry and struck the claimant. Advice on whether her damages should be reduced based on contributory negligence.

**(10 marks)****QUESTION FIVE**

- a) A contract for the sale of tins of canned fruit which were to be packed in cases of 30 tins. On delivery, it was found that a number of the cases contained only 24 tins. The buyer repudiated the contract. Elaborate on the consequences of the repudiation of a contract by a buyer under the Sale of Goods Act. **(5 marks)**
- b) The promoters of a company that ran a hotel entered into a contract for the supply of wine before the company was validly incorporated. Before the bill was paid, the company had gone into liquidation, and so the suppliers sued the promoters personally. The promoters argued that they had no personal liability under the contract, which was between the supplier and the company. Advise

**(10****marks)****QUESTION SIX**

Amina, a wholesale trader in Nairobi, entered into a written contract with TechSource Ltd for the purchase of 50 laptop computers at an agreed price of KES 3,000,000. The contract expressly stated the quantity, price, and delivery date, and described the laptops as “brand new, latest model.” No express term was included regarding quality, fitness for purpose, or title. Amina informed TechSource Ltd that the laptops were intended for resale to university students. Upon delivery, several laptops overheated, had faulty batteries, and some were discovered to be refurbished rather than new. Additionally, a third party later claimed ownership of ten of the laptops, alleging that they had been stolen. TechSource Ltd argued that it had complied with the express terms of the contract and denied liability for the defects and title issues.

**Required:**

- a) Advise Amina on her rights under the contract.  
**(10 marks)**
- b) Distinguish between express and implied terms.  
**(5 marks)**