

The  
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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF DEVELOPMENT STUDIES**

**PMT 402: LEGAL AND COMMUNITY ISSUES IN PROJECT MANAGEMENT**

**DATE: 31<sup>ST</sup> MARCH 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:

**INVOICE DISCOUNTING**

Watumishi Credit Ltd is a limited liability company based in Nairobi. Its core business is lending money to the general members of the public.

On 30<sup>th</sup> March 2020, Mr. Omondi, a director of Uzima Construction Limited approached Watumishi Credit Ltd with two invoices, i.e. invoices No. 1 and 2. The two invoices were issued by the XYZ company. He sought advanced credit facilities by way of invoice discounting and gave the two aforementioned invoices as security for the loan to be advanced.

Out of an abundance of caution and good business practice, Watumishi Credit Limited wrote to the XYZ company and explained the nature of credit facilities sought by Uzima Construction Ltd and that two invoices were the proposed security. In particular, Watumishi Credit Ltd sought confirmation whether XYZ company could commit to paying the monies indicated on the two invoices directly to it. XYZ company agreed to do so and signed an agreement dated 22<sup>nd</sup> March 2020. The value of the two invoices was Kshs. 800,030/-.

Based on the Agreement, Watumishi Credit Ltd advanced Kshs 800,030/- to Omondi on behalf of Uzima Construction Ltd, hoping that when the invoice amount is paid, it would deduct all the monies outstanding and remit the balance, if any, to the Uzima Construction Ltd.

In a clear blatant breach of the clear provisions of the 22<sup>nd</sup> March, 2020 Agreement, XYZ company paid the invoice amounts directly to Uzima Construction Ltd and nothing was paid to the Watumishi Credit company. As a consequence thereof, the company did not get the opportunity to recover the fund of Kshs 800,030/- paid to Omondi.

Watumishi Credit Limited engaged Omondi, Uzima Construction Ltd and XYZ company intending to recover the credit facilities advanced under the guarantee of the XYZ company. Still, none of them was willing to pay. Watumishi Credit Limited has decided to file a civil suit against the three persons for recovery of the sum of

Kshs 800,030/-. It will also institute criminal proceedings against Omondi for obtaining money on false pretenses.

**Required:**

- a) Advise Watumishi Credit Limited on the five benefits of its registration as a limited liability company. (10 marks)
- b) In view of the excerpt, explain whether XYZ company is liable to pay Kshs 800,030/- to Watumishi Credit Ltd. (5 marks)
- c) Advise all the parties involved in this case study, on the fundamental differences between civil and criminal cases. (10 marks)

**QUESTION TWO**

- a) Wafula has drafted a contract that Brian has been asked to sign. He requests that you advise him on three obligations of parties under a valid contract. (9 marks)
- b) Wambua's tenancy was terminated by the landlord on 31<sup>st</sup> December 2024 after the expiry of a 30days notice to vacate. Wambua has refused and the frustrated landlord has approached you. Advise him on whether he can institute proceedings against Wambua under the law of torts. (6 marks)

**QUESTION THREE**

- a) An auctioneer advertised that there would be a sale of kitchen equipment and a prospective buyer traveled from Mombasa to Nairobi to attend the sale. On arrival, the buyer found that the equipment had been withdrawn and would not be sold during the auction. Advise the buyer whether he can sue the auctioneer for loss of time and traveling expenses. (5 marks)
- b) 'The principle of contribution promotes fairness in insurance claim settlements.' Explain (10 marks)

**QUESTION FOUR**

a) Absolom purchased three 90kg bags of green maize at Kshs 3,800 per bag but neither party knew the precise weight of the bag. The shopkeeper promised to weigh the bags of beans and inform him which he failed to do. Absolom has refused a demand to pay for the maize which is now rotten and not good for human consumption. Advise Absolom on whether he is liable to pay the price to the shopkeeper. (5 Marks)

b) A firm has appointed commission agents for its regional warehouses. Advise the firm on five responsibilities that should be included in the contract.

(10 marks)

**QUESTION FIVE**

a) Discuss three contracts of employment that are considered illegal under Kenyan labour law. (5 marks)

b) Hill School wants to develop a new computer lab for its students. They have engaged you to help in resource mobilization. Elaborate on five approaches that you will use for resource mobilization. (10 marks)

**QUESTION SIX**

a) A non-government organization has initiated projects and has approached the members to help in mobilizing the community. Enumerate five obstacles that may curtail community participation in project management. (5 Marks)

b) "All individuals irrespective of marital status can own land in Kenya". In view of the statement, describe the rights of a spouse. (5 marks)

c) The decisions of the National Environmental Management Authority can be subjected to appeal before the National Environment Tribunal. Discuss some of these decisions. (5 Marks)