



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART I SECOND SEMESTER EXAMINATION

COMMERCIAL LAW II [BAC 1203]

JUNE 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions in **SECTION A (Compulsory)** and any **THREE** questions in **SECTION B**.
2. Begin each question on a new page.
3. Please indicate the study mode (Conventional/Block) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.
3. **Section A** carries 40 marks whilst each question in **Section B** carries 20 marks.

This paper consists of six (6) printed pages including the cover page

SECTION A [40 MARKS]

Question 1 MULTIPLE CHOICE [30 Marks]

For each of the following questions, just write the Letter that corresponds to the answer you consider to be correct. Each question carries 2 marks.

1. What is a lease agreement?

- A. The Lessor
- B. The Lessee.
- C. A legally binding contractual relationship between the lessor and the lessee.
- D. None of the above.

2. Which one is the duty of a lessee?

- A. Payment of rent and utilities such as water, electricity and telephone bills.
- B. The lessor should allow quiet enjoyment of leased property.
- C. Allow the lessee access to a copy of the lease agreement.
- D. None of the above.

3. Which circumstance lead to termination of a lease?

- A. Renewal of the lease on the same terms.
- B. Mutual agreement by the parties to terminate the lease agreement.
- C. An indefinite lease agreement meant for perpetuity.
- D. All the above.

4. Which list do not reveal the nature of the contract of sale?

- A. Hire Purchase.
- B. Sale of Goods.
- C. Contract for work and materials.
- D. Free on Board Contract (FOB).

5. How is transfer of ownership effected under a contract of sale?

- A. Delivery or transfer of title to buyer.

- B. Payment of purchase price.
- C. Acceptance of the terms of the contract of sale.
- D. None of the above.

6. What is meant by the *nemo dat quod non habet*?

- A. Price of goods sold.
- B. Liability for defective goods.
- C. No one can transfer what he/she does not have.
- D. All of the above.

7. What is meant by CIF contract under carriage of goods by sea?

- A. Cost, insurance freight agreement where goods are sold inclusive of cost, insurance and transportation.
- B. Contract where the seller has no duty to insure the sold goods for the benefit of the buyer.
- C. Buyer bears the cost, insurance and transport separately.
- D. None of the above.

8. What is the duty of the buyer under FOB contract?

- A. To load the goods on board a ship nominated for such purpose.
- B. To bear the expenses of goods up to the point of shipment.
- C. To give shipping instructions and bear expenses after shipment.
- D. None of the above.

9. Who issues the Bill of Lading in carriage of goods by sea?

- A. Seller.
- B. Buyer.
- C. Master of Ship.
- D. All of the above.

10. Who administers a trust?

- A. Trustees.

B. Beneficiaries.

C. Founder.

D. None of the above.

11. What is the benefit of registering a trust?

A. Avoid payment of estate duty, taxes and personal reduction of risk on assets.

B. Personal enrichment of the trustees.

C. Trust Deed.

D. All of the above.

12. What is corporate insolvency?

A. Business has liquid resources to pay liabilities.

B. Judicial management of a company.

C. Inability of the business to settle financial obligations when they become due and payable to creditors within six months of demand to pay.

D. All of the above.

13. With reference to a corporate rescue plan, what is a moratorium?

A. Reorganization plan.

B. Compromise

C. Temporary freeze on liability to allow the business to implement reorganization and compromise agreement without fear of litigation.

D. None of the above.

14. Which official has primary management function of business during liquidation?

A. Director.

B. Company Secretary.

C. Auditor.

D. Liquidator.

15. What is the effect of conclusion of liquidation to the legal personality of a business?

- A. It is dissolved and the business becomes extinguished.
- B. The business remains functional and able to legitimately execute its objectives.
- C. The assets of the company cannot be expropriated to pay the liabilities to creditors.
- D. All of the above.

Question 2. [10 Marks]

- (a) Explain in brief the nature of a lease agreement? **(5 marks)**
- (b) State and explain any five essential elements of a lease agreement. **(5 marks)**

SECTION B [60 MARKS]: ANSWER ANY THREE QUESTIONS

Question 3. [20 Marks]

- (a) Identify and explain any five duties of the lessor under lease. **(5 marks)**
- (b) State and explain any three grounds that result in termination of a lease agreement. **(5 marks)**
- (c) With respect to contract of sale, briefly explain the nature of hire purchase. **(5 marks)**
- (c) State and explain three forms of liability under the contract of sale. **(5 marks)**

Question 4. [20 Marks]

- (a) Explain any five essential elements of the contract of sale. **(5 marks)**
- (b) Distinguish the nature between COF and FOB under carriage of goods by sea. **(10 marks)**
- (d) Explain the three roles of the Bill of Lading under carriage of goods by sea. **(5 marks)**

Question 5. [20 Marks]

- (a) Explain what a trust is. **(5 marks)**
- (b) Explain an *inter vivos* trust. **(5 marks)**
- (c) Explain any three duties of trustees. **(5 marks)**
- (d) Identify and explain any five grounds of corporate insolvency. **(5 marks)**

Question 6. [20 marks]

- (c) Outline any five features of a corporate rescue plan. **(5 marks)**

- (b) Explain any five benefits of voluntary liquidation. **(5 marks)**
- (c) Explain any five roles played by the court during liquidation. **(5 marks)**
- (d) State and explain any three grounds that lead to termination of corporate rescue. **(5 marks)**

Question 7. [20 Marks]

- (a) Analyse any five roles of liquidator during liquidation. **(5 marks)**
- (b) Justify the payment priority of claims during liquidation. **(5 marks)**
- (c) What is meant by legal personality and its effect in commercial law? **(5 marks)**
- (d) State and explain any three grounds for piercing the corporate veil. **(5 marks)**

END OF EXAMINATION PAPER