

KASNEB

DCM LEVEL II

LAW GOVERNING CREDIT PRACTICE

TUESDAY: 24 May 2016.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

- (a) With respect to mortgages, define the term "sub-mortgage". (2 marks)
- (b) Identify four types of land tenure in your country. (8 marks)
- (c) Explain five advantages relating to land as security. (10 marks)
- (Total: 20 marks)**

QUESTION TWO

In relation to the law governing credit practice:

- (a) Explain the meaning of the term security. (4 marks)
- (b) Outline four main features of a securities contract. (8 marks)
- (c) Highlight four essentials of a good security. (8 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Jupiter Limited has been trading for the last five years. The directors of the company intend to cease carrying on business and wind up the company.

Advise the directors of Jupiter Limited on five possible circumstances under which a company might be wound up on the just and equitable grounds. (10 marks)

- (b) Describe five grounds upon which the court might give orders for a debtor to be declared bankrupt with regard to bankruptcy laws in your country. (10 marks)
- (Total: 20 marks)**

QUESTION FOUR

- (a) With specific reference to liens:

- (i) Describe four categories of lien. (8 marks)
- (ii) Highlight four circumstances when a seller's right of lien is lost. (4 marks)

- (b) Explain four duties of a bailor. (8 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Outline four formalities of a contract of guarantee. (4 marks)
- (b) Explain four rights a guarantor has against the creditor. (8 marks)
- (c) Describe four circumstances under which a guarantor is discharged from liability. (8 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) Explain the following types of commercial arbitration:

- (i) Adhoc. (2 marks)
- (ii) Institutional. (2 marks)

- (iii) Domestic. (2 marks)
- (iv) International. (2 marks)
- (v) Private. (2 marks)
- (b) Outline two conditions that must be met before a county government can borrow funds internationally. (2 marks)
- (c) Identify four types of treasury bonds. (8 marks)

(Total: 20 marks)

QUESTION SEVEN

- (a) Discuss the matters that effective insolvency systems should aim to achieve according to the World Bank Principles and Guidelines for Effective Insolvency and Creditor Rights Systems. (10 marks)
- (b) Describe five circumstances under which a court might refuse to discharge a bankrupt. (10 marks)

(Total: 20 marks)

.....