

# KASNEB

## DCM LEVEL II

### LAW GOVERNING CREDIT PRACTICE

WEDNESDAY: 18 November 2015.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

#### QUESTION ONE

(a) In relation to the contract of securities, describe five forms of commercial securities. (10 marks)

(b) With reference to a contract of securities, explain the following:

(i) Three duties of the borrower. (6 marks)

(ii) Two duties of the lender. (4 marks)

**(Total: 20 marks)**

#### QUESTION TWO

(a) Explain three similarities between a “pledge” and a “lien”. (6 marks)

(b) With the aid of relevant examples, describe three forms of bailment. (6 marks)

(c) Highlight four standard clauses contained in a letter of pledge. (8 marks)

**(Total: 20 marks)**

#### QUESTION THREE

(a) Distinguish between a “contract of guarantee” and a “contract of indemnity”. (6 marks)

(b) Enumerate three rights of a guarantor in a contract of guarantee. (6 marks)

(c) Discuss four consequences of a forged co-guarantor’s signature on whose strength a bank loan is granted. (8 marks)

**(Total: 20 marks)**

#### QUESTION FOUR

(a) Highlight two rights and two duties of a pawnor. (4 marks)

(b) Describe four ways through which a possessory lien might be terminated. (8 marks)

(c) Discuss four terms implied in a hire purchase agreement in favour of the owner. (8 marks)

**(Total: 20 marks)**

#### QUESTION FIVE

(a) Summarise five legal consequences of the appointment of a receiver by the court in the case of compulsory winding up. (10 marks)

(b) Explain five acts of bankruptcy that might be committed by a debtor in your country. (10 marks)

**(Total: 20 marks)**

#### QUESTION SIX

(a) Describe five legal disabilities of a bankrupt. (10 marks)

(b) Outline five documents that should be maintained in a land registry. (10 marks)

**(Total: 20 marks)**

#### QUESTION SEVEN

(a) Describe five persons who might petition for the winding up of a company. (10 marks)

(b) Identify five contents of a trust deed. (10 marks)

**(Total: 20 marks)**