

# 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)**
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