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CCP PART II SECTION 4

LAW GOVERNING CREDIT PRACTICE

THURSDAY: 2 September 2021.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

**QUESTION ONE**

- (a) Discuss four disadvantages of collateral to a borrower. (8 marks)
- (b) With specific reference to land tenure, explain six ways through which land ownership might be lost. (6 marks)
- (c) "The contract of guarantee is a tripartite agreement".

In relation to the above statement, identify three contracts enshrined in the contract of guarantee. (6 marks)  
**(Total: 20 marks)**

**QUESTION TWO**

- (a) In the context of intellectual property as collateral, analyse five rights of a copyright owner. (10 marks)
- (b) James borrowed Sh.50,000 from Daisy Limited and offered his movable household items as security. James has since defaulted on his loan repayment obligations as set out under the security agreement. Daisy Limited feels aggrieved and has sought your legal advice.

**Required:**

Discuss five remedies available to Daisy Limited under the security agreement. (10 marks)  
**(Total: 20 marks)**

**QUESTION THREE**

- (a) Claire is the Cabinet Secretary for finance in your country. The government had borrowed Sh.3 trillion in the financial year 2020-2021. Parliament has requested Claire to present some information concerning the said loan to the relevant Parliamentary Committee.

**Required:**

- (i) In relation to borrowing by national government, explain four particulars which might be contained in the report that Claire shall present to the Parliamentary Committee. (8 marks)
- (ii) With reference to borrowing by county government, describe three instances when Parliament might approve a draft loan guarantee document if the amount guaranteed exceeds the stipulated limit. (6 marks)
- (b) Enumerate three duties of a lender who makes an invitation to the borrower to defer making a payment which is due under a credit agreement. (6 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) Indicate ten particulars that might be contained in the initial disclosure statement for credit agreements. (10 marks)
- (b) Explain five types of businesses which a deposit-taking Sacco is prohibited from undertaking. (10 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) In relation to corporate governance, examine five practices which a lending institution should not engage in when dealing with a customer. (10 marks)
- (b) (i) Discuss four essential features of bailment. (8 marks)
- (ii) Highlight two parties in a bailment contract. (2 marks)

**(Total: 20 marks)**

**QUESTION SIX**

As an alternative to debt financing, a company might raise money through debentures or ordinary shares.

**Required:**

(a) Discuss five advantages of debentures over ordinary shares. (10 marks)

(b) Describe five prudential regulations for microfinance institutions. (10 marks)

**(Total: 20 marks)**

**QUESTION SEVEN**

(a) Define the term negative pledge contract. (2 marks)

(b) Explain four characteristics of a pledge contract. (8 marks)

(c) Evaluate five rights of the pawnee. (10 marks)

**(Total: 20 marks)**

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