



**CCP PART II SECTION 4**

**LAW GOVERNING CREDIT PRACTICE**

**FRIDAY: 27 November 2020.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions.**

**ALL questions carry equal marks.**

**QUESTION ONE**

- (a) Describe five characteristics of mortgages. (10 marks)
  - (b) Highlight four contents of a mortgage instrument. (4 marks)
  - (c) Describe three covenants that are implied in Chattel mortgages. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) The directors of Guava Juice Limited are in the process of executing an agreement with the directors of Mango Juice Limited regarding the protection of some confidential information touching on the secret recipes of the two companies. However, the directors know very little about the legal nature of their transaction and have approached you for legal advice.

**Required:**

- (i) Identify the type of intellectual property meant to be protected under the above contractual relationship. (2 marks)
  - (ii) Summarise four advantages of relying on the legal protection offered under the contract in (a) (i) above as opposed to patent protection. (10 marks)
  - (b) (i) Outline four similarities between “shares” and “debentures”. (4 marks)
  - (ii) Explain the meaning of “cash consideration” in relation to sale of treasury shares by a company. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) With reference to securities:
    - (i) Enumerate four ways through which security interests might be created. (4 marks)
    - (ii) Describe four circumstances under which a chargee might sue the chargor for recovery of the money secured by a charge. (8 marks)
  - (b) Summarise two factors that might affect the price of treasury bills and their returns. (2 marks)
  - (c) Highlight six circumstances under which the Cabinet Secretary for Finance might guarantee the loan of a County Government on behalf of the National Government. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Outline five features that are unique to a contract of indemnity other than the essentials of a valid contract. (5 marks)
  - (b) Prepare a checklist of seven items to consider when drafting indemnity clauses. (7 marks)
  - (c) Describe four types of information that an applicant who requires licensing for a lending institution should provide. (8 marks)
- (Total: 20 marks)**



**QUESTION FIVE**

- (a) Describe the procedure to be followed when discharging a charge. (10 marks)
  - (b) (i) State five remedies available to the bailee for breach of a contract of bailment. (5 marks)
  - (ii) Enumerate five rights of the pawnee upon default by the pawnor. (5 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Explain six advantages a customer derives while using a credit card. (6 marks)
  - (b) Corporate accountability refers to the obligation and responsibility to give an explanation or reason for the company's actions and conduct.
- With reference to the above statement:
- (i) Discuss four responsibilities of the board in enhancing corporate accountability. (8 marks)
  - (ii) Summarise six ways in which the common shareholders are protected through corporate governance principles. (6 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) With specific reference to consumer protection in credit agreements:
    - (i) Explain the meaning of the term "consumer". (2 marks)
    - (ii) Define the term "credit agreement". (2 marks)
  - (b) Discuss six objectives of consumer protection mechanisms. (12 marks)
  - (c) Explain four conditions to be satisfied for an individual to be granted a loan by a SACCO. (4 marks)
- (Total: 20 marks)**
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