

(10 marks)

✓(1) (a) Define offer and give essentials of a valid offer.

(10 marks)

(b) Explain acceptance and its essentials.

(c) "A" offers to buy "B"'s house on certain term; an answer to be given within six weeks. "B" within that time writes to "A" a letter purporting to accept but in fact containing a material alteration of the terms. "A" then withdraws his offer. "B" writes again still within six weeks correcting the error in his first letter and accepting the terms originally proposed by "A". Is there a contract between "A" and "B"? State reasons for your answer. (5 marks)

✓(2) (a) Explain the meaning of the term "fraud" in a relation to contract and discuss elements of fraud. (10 marks)

(b) X, the only son of Y, fell into a river and Z saved him. Y in gratitude, made an oral promise to pay Z Kshs. 100,000/=. But Y died before making any payment. Z claims Kshs. 100,000/= from X. Will Z succeed? Give reasons to your answer. (5 marks)

✓(3) (a) Discuss various ways on which a contract may be discharged. (10 marks)

(b) A owes B a sum of Kshs. 3,000/=. C, who is A's friend pays to B Kshs. 1,500/=. B, accepts the amount in satisfaction of claim on A. Will this payment discharge A from the whole debt? (5 marks)

✗(4) (a) Discuss various modes of creating contract of agency. (10 marks)

(b) A authorizes B to buy 588 sheep for him. B buys 600 sheep for Kshs. 120,000/=. Can A repudiate the whole transaction? What will be the right of A in case B buys 500 sheep and 100 goats for a lump sum of Kshs. 120,000/=? (5 marks)

✓(5) (a) Explain the various ways of termination of a contract of agency. (10 marks)

(b) "A" gives authority to "C" to sell A's land and to pay himself out of the proceeds the debt due to him from A. Can "A" revoke this authority? Give reasons to your answer. (5 marks)

(6) Explain the principle which guides our court in administration of justice.

(15 marks)