



DCM LEVEL II

LAW GOVERNING CREDIT PRACTICE

TUESDAY: 28 November 2017.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

**QUESTION ONE**

(a) A lien is a right to hold the property or goods of another person as a security for the performance of an obligation.

With reference to the above statement, list four types of lien. (4 marks)

(b) Highlight two formalities of a securities contract. (4 marks)

(c) Describe four attributes of an inadequate security. (8 marks)

(d) Identify two elements of a pledge. (4 marks)

**(Total: 20 marks)**

**QUESTION TWO**

(a) (i) Explain two advantages and two disadvantages of a mortgage. (8 marks)

(ii) Describe three ways in which the mortgagee should apply the money received from the sale of a mortgaged property. (6 marks)

(b) With reference to land tenure, highlight three differences between a “freeholder” and a “leaseholder”. (6 marks)

**(Total: 20 marks)**

**QUESTION THREE**

(a) Explain four essential features of a valid contract of indemnity. (8 marks)

(b) With reference to contracts of guarantee:

(i) List six grounds upon which the principal debtor might be discharged from liability. (6 marks)

(ii) Summarise six rights of the creditor. (6 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

(a) With specific reference to government borrowing:

(i) Explain five salient features of treasury bills. (10 marks)

(ii) Identify two limitations imposed on a county government (or an equivalent organ of governance in your country) in the exercise of its borrowing powers. (4 marks)

(b) Summarise three advantages of treasury bills to the investor. (6 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) Discuss five remedies that are available to secured debenture holders. (10 marks)
  - (b) Describe two characteristics of a fixed charge. (4 marks)
  - (c) Highlight three disadvantages of corporate bonds. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Describe four rights of secured creditors in bankruptcy proceedings. (8 marks)
  - (b) Outline four alternatives to bankruptcy for a debtor who is insolvent. (4 marks)
  - (c) Explain four purposes of cross border insolvency. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) (i) Identify four persons who might apply for liquidation of a company. (4 marks)
- (ii) State four effects of a liquidation order. (4 marks)
- (b) On forming the view that a company is or will be unable to pay its debts, the liquidator must perform certain duties.

With reference to the above statement, discuss six preliminary duties that the liquidator should perform. (12 marks)

**(Total: 20 marks)**

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