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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 19th April, 2023
Time: 8.30am –10.30Am

KPS 300 - CONTRACT ADMINISTRATION

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

CONTRACT OF SALE

Njoki owns a van used in her plumbing business. When Njoki purchased a new van, she decided to sell the old one. On MONDAY, Njoki sent an email to, Njoroge, Buyer, who runs a lawn service company located across the street from Njoki, stating: *Dear Njoroge, I would sell my old van to you for \$15,000 cash. [Signed] Seller*

Njoroge, Buyer immediately responded with an email that said: *I'm interested. If you can give me until Sunday to decide, I'll have my mechanic stop over this week and check it out. [Signed] Buye*

A few minutes later, Seller responded: *Your mechanic can stop over any time. You can have until Sunday to decide. [Signed] Seller*. On TUESDAY, the mechanic checked over the van and reported to Njoroge, Buyer that, although the van needed a new set of tires, \$15,000 was a great price. Buyer decided to purchase the van and told the mechanic to order the new tires it would need. Late Tuesday evening, Njoki, Seller sent an email to Buyer stating: *Jones Dry Cleaning just said they might be interested at \$17,000 for the van*. Buyer did not read the email and, on WEDNESDAY, Njoroge, Buyer mailed a letter to Seller stating: *I agree to buy the van for \$15,000. I'll drop off the cheque on Saturday. [Signed] Buyer*

On THURSDAY, Seller sent an email to Buyer stating: *Sold the van to Jones Dry Cleaning*.

On FRIDAY, Seller received the letter from Buyer and immediately sent an email to Buyer repeating that the van had already been sold. Seller fails to deliver the van to Buyer. Buyer sues seller for breach of contract.

Questions

- a) From the above case study, the seller sent an email to the buyer informing him that he had already sold the Van. The buyer decided to sue the seller. Will buyer prevail / win the case? Give three reasons. (6 marks)

- b) The buyer had agreed to buy the van at \$15,000, later on the seller sold the same van to a different buyer. Does the contract of sale exist between the buyer and seller? Give three reasons. (6 marks)
- c) Highlight three rights of a buyer in a contract that was exhibited by Njoroge. (6 marks)
- d) Effective contract administration process is essential in determining the sustainability of any business arrangement. Discuss three contracting strategies that could have been applied by both the buyer and seller to avoid legal process. (6 marks)
- e) Failure of the seller to deliver the Van to Njoroge might have led to contractual disputes. Highlight three sources of disputes/ conflicts in contract administration (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the purpose of the following contract terms:
 - i) Force majeure
 - ii) Pricing schedule
 - iii) Limitation of liability (6 marks)
- b) Explain two responsibilities of a contract administrator during contract management. (4 marks)
- c) Discuss five importance of contract administration in both public and private sector. (10 marks)

QUESTION THREE (20 MARKS)

- a) When the parties to a contract happen to have a dispute that they cannot resolve themselves they involve a third party by using other dispute resolution methods. Discuss four drawbacks of litigation as a method of resolving contractual disputes. (8 marks)
- b) Explain four elements/ components of a contract. (8 marks)
- c) Highlight two features of a valid contract. (4 marks)

QUESTION FOUR (20 MARKS)

- a) Contract administration concludes with final inspection and acceptance goods, works or services prior to completion date. Highlight four factors the inspection team should consider during inspection (8 marks)
- b) Explain four duties of a buyer in a contract of a sale. (8 marks)
- c) Procurement methods are used in selection of reliable suppliers to the business. Explain two methods of procurement (4 marks)

QUESTION FIVE (20 MARKS)

- a) Highlight three advantages of open tendering. (6 marks)
- b) Key performance indicators forms an essential part of a performance management framework during contract administration. Explain four benefits of performance management framework to a buyer. (8 marks)
- c) Selection of contract pricing methods is necessary to provide effective management of contracts. Explain three types of contracts in purchasing and sale goods and services. (6 marks)