



RIARA LAW SCHOOL
UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS (LLB)
DEGREE
AND
PRE-KENYA SCHOOL OF LAW CORE COURSES COMPLIANCE
PROGRAM
JANUARY – APRIL 2024

RLB 303: LAW OF BUSINESS ASSOCIATIONS I

INSTRUCTOR: DR WILSON NGIGI

INSTRUCTIONS

1. This is the final examination in Law of Business Associations I. You will earn 70% of your final grade from this final examination and 30% from Continuous Assessment Assignments.
2. This examination has **THREE** questions. Please answer **ALL THREE QUESTIONS**.
3. This examination has 3 pages, including this one.
4. Time allocated for this examination is **TWO** (2) hours. You must stop writing when the time is called.
5. Please sign the roll sheet when you turn in your answer sheet. If you fail to sign the roll sheet, we shall have no way of establishing that you sat for this examination and your marks will not be reported.
6. This is a **CLOSED BOOK** examination. This means you are not permitted to bring ANY hard or soft materials to the examination room. You are also not allowed to access materials stored in computers, electronic gadgets or the internet. You should not bring to the examination room any of the following: cell phones, tablets, computers, statutes, notes, outlines, or books. Neither should you bring to the examination room books or materials unrelated to this course. If you need to have medicine or food items with you, please let the invigilator know before the examination begins.
7. This examination is governed by **Riara University Academic Honesty Regulations**. Students who violate those regulations will be penalized. Students have an obligation to report to the invigilator any incidences of academic dishonesty compromising the integrity of this examination.

QUESTION ONE (Total: 20 marks)

- a. Analyse the scope of a partner's authority to bind an unlimited partnership in contract.

(15 marks)

- b. Explain whether a person can be liable for a partnership's debts that

- were incurred before that person joined as a partner;
- after that person left the partnership

(5 marks)

QUESTION TWO (Total:25 marks)

Kenya's Co-operative movement commands membership of about 15 million people with an asset base of more than Ksh1 trillion (\$9.25 billion), while providing employment to more than 500,000 people directly and another 1.5 million indirectly. The growth of the Co-operative movement in Kenya can be attributed to the common characteristics of the movement globally. Discuss

QUESTION THREE (Total: 25 marks)

Alex and Lina have been running a farm livestock food distribution service for the last four years. The business is called AFL Foodstuffs and operates from premises just outside Kisumu, which are leased from Lina. Both Alex and Lina contributed about Kshs. 1,200,000 of capital to the business on start-up. They have tended, up to now, to share the management of the business as well as profits equally. As the business is doing well, despite recent global circumstances, Alex and Lina now wish to take on another partner to invest in, and to help expand, the business. They have been approached by Magda who has experience in agricultural business management. Alex and Lina feel she would fit well into the business. They have been discussing how best to admit her to the partnership. They are also considering formalising the arrangements between the three of them, as they currently have no written partnership agreement. It would make sense, for example, to specify the management responsibilities of each partner, and to clarify how

profits are to be shared. Alex would take on the role of senior partner as she has more experience. Magda has indicated that she would be able to contribute up to Kshs1,500,000 in additional capital. She is also offering to provide a van for business use.

Advise Alex and Lina on:

- a) why the business structure currently used by Alex and Lina is an unlimited liability partnership; **(12marks)**
- b) the benefits of formalising, in a written partnership agreement, the business arrangements between Alex, Lina and Magda; **(8 marks)**
- c) whether or not the van provided by Magda would be partnership property. **(5 marks)**