



**RIARA LAW SCHOOL**  
**UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS (LLB) DEGREE**  
**AND**  
**PRE-KENYA SCHOOL OF LAW CORE COURSES COMPLIANCE PROGRAM**  
**MAY – AUGUST 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

Talia and Kris have been running a luxury travel business together, as a partnership, for six years. They have been trading under the name 'T & K Wonderful Travel' and have three branches in Mombasa. The main office is in Malindi in North of Mombasa (North Coast). There is a partnership agreement that contains a provision prohibiting partners from incurring any liability exceeding Kshs.500,000 on behalf of the partnership, unless all partners agree. It also states that the partnership will continue if a partner leaves.

The partners have seen a revival of business in the last couple of years and they are keen to expand into Kilifi and Watamu. A current employee, Sophie, has indicated that she would be willing to invest up to Kshs.5,000,000 in the business but she has said that she would expect to have the protection of limited liability. It has been provisionally agreed that Sophie will formally join the business at the beginning of July 2025.

After discussions with Sophie, Talia has been giving thought to her own potential liability in relation to the business. Talia's concerns about this have increased recently due to a transaction Kris entered into without Talia's knowledge. About a week ago, the partnership received a demand for payment of an invoice relating to the purchase of a new car for Kshs.4,500,000. On investigation, Talia discovered that Kris ordered the vehicle for himself but in the partnership's name. He told the car dealer that it would impress clients, although it is unclear how. The vehicle was delivered to Kris's home. Recently, Talia has generally got the impression that Kris's commitment to the business has been waning.

Talia seeks advice from you on the following:

- (a) who is liable to pay the invoice for the car, and why; *(11 marks)*
- (b) whether Kris could be expelled from the partnership; *(7 marks)*
- (c) Whether, given her concerns about her potential personal liability, the business should continue as an unlimited partnership or should instead be converted to a limited liability partnership or a private limited company. *(12 marks)*

*(Total: 30 marks)*

## QUESTION TWO

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

**(20marks)**

### **QUESTION THREE**

- (a) Critically analyse how an unlimited partnership may be formed without the express written agreement of the partners. *(8 marks)*
- (b) Explain why it is beneficial for partners to have a written partnership agreement rather than relying on the provisions of the Partnership Act 2012, giving examples of the issues such an agreement might address.

*(12 marks)*

*(Total: 20 marks)*