

THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM III EXAMINATION

LAW OF OTHER BUSINESS ASSOCIATIONS

14TH APRIL, 2015

DURATION: 2 HOURS

Instructions to Candidates

- (a) Answer Question ONE and ANY OTHER THREE Questions
- (b) Question ONE carries 25 Marks
- (c) All other questions carry 15 Marks each

PLEASE TURN OVER

Question One:

(a) Talash and fifteen of her former college-mates are unable to get formal employment. They intend to pool their resources to start some business for their economic development. They feel that their hope largely lies in a co-operative society to realize their objective. They have come to you for advice on how to go about starting a co-operative society. Advise them of the requirements they need to meet to enable them register a co-operative society.

(15 marks)

(b) Explain the essential elements of a partnership.

(10 marks)

Question Two:

Geo, Ho and Lo formed a partnership three years ago to run a business. They each provided capital to establish the business as follows:

Geo - Kshs.200,000/=
Ho - Kshs.120,000/=
Lo - Kshs.80,000/=

The partnership agreement stated that all profits and losses were to be divided in proportion to the capital contribution. After 18 months, Geo provided the partnership with a loan of Kshs.30,000/= in order to finance the purchase of more inventory. The loan was to be paid back from the profits of the business.

Unfortunately, the business was not successful and the partners decided to dissolve the partnership rather than risk running up any more losses. At the time of the dissolution of the partnership its assets were worth Kshs.200,000. Its external debts were Kshs.7,000/= and none of the debt to Geo has even been paid.

Advise the partners as to how the financial aspects of the dissolution will be conducted and how the assets will be distributed.

(15 marks)

Question Three:

(a) Describe the structural framework of the cooperative movement in Kenya.

(9 Marks)