INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF LAW

END OF SEMESTER EXAMINATIONS - DECEMBER 2025

PROGRAMME: LLB
YEAR/SEM: YEAR 4/SEMESTER 1
COURSE CODE: LLB 4106
NAME: LAW OF BUSINESS ASSOCIATIONS II

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

This Question is COMPULSORY.

Question 1:

On the 12th day of July 2018, former students at Union University having appreciated the Law of Business Associations, decided to set up a partnership as a business vehicle to help them to earn an extra income from their legal practice. The partnership was set up to engage in transport facilities to which they bought an omni bus vehicle to operate the Kampala-Soroti route.

The initial members were 12 who raised capital that was used to purchase the omni bus vehicle at UGX 50.000.000/=. Because Opio one of the members, had a valid driver's licence the members agreed that he conducts the business of the partnership by driving the omni bus as agreed on the Kampala-Soroti route. Opio was expected to drive the omni bus and collect bank money on the Bank account in Lloyds Bank. During the initial stages of the partnership Opio was also heard claiming that since the other members have not been taking part in the partnership they should not share in the profits of the partnership.

Akello, a partner in the partnership decided to set up her own separate business of 'fast foods' at the Soroti bus stop dealing in the sale of chicken and chips. When the partners discovered that she was running this business they decided to recover all the proceeds of this business.

In 2019 Opio was hired by Peoples' Nursery school and daycare to transport pupils on a school tour to the Uganda Wildlife Authority and he was paid a sum of UGX 800.000/=. Opio contended that because this was not part of the partnership arrangement of operating the Kampala-Soroti route it was his money as he called it hard earned.

The partnership business was going well until the start of 2020 in the wake of the COVID-19 pandemic where the government imposed a ban on cross district travel. This meant that the business of driving the omni-bus would not go on. In this dilemma Fred, an original member of the partnership decided to leave the partnership in 2021.

From that time of the lockdown the partners have developed misunderstandings and to this end they want to dissolve the partnership.

However, it should be noted that, in 2022 the partners obtained a loan from Wings Bank of UGX 1.000.000/=. They are now in disagreement on who should contribute to the repayment of the loan and who should not be paying. They have since called upon Fred to contribute to the outstanding loan balance.

Assuming that you are an expert on the law of partnerships, discuss the legal issues raised by the facts above and advise the partners accordingly.

Question 2:

Alpha Agro-Tech Ltd is a medium-sized Ugandan company incorporated in 2018 and engaged in the processing and exportation of agricultural products. The company's issued share capital consists of 1,000,000 ordinary shares. The majority shareholder, Kaggwa, holds 65% of the shares and is also the Managing Director. Two other directors, Sarah and Daniel, each hold 10% of the shares, while a minority shareholder, Miriam, holds 5% but is not involved in the day-to-day management.

In January 2024, Uganda's Ministry of Agriculture announced a new grant scheme for agro-processing companies. Unknown to the board, Kaggwa secretly incorporated another company, GreenField Ventures Ltd, where he is the sole director and shareholder. Without disclosing this conflict of interest, he diverted Alpha Agro-Tech's confidential feasibility study and financial projections prepared at the company's expense to GreenField Ventures and applied for the grant under that company instead. GreenField received UGX 700 million in government funding, and it soon started operating in direct competition with Alpha Agro-Tech.

When Sarah and Daniel discovered this, they accused Kaggwa of breaching his duty to act in good faith and in the best interests of Alpha Agro-Tech. Kaggwa dismissed their concerns and convened an "urgent shareholders' meeting" to approve a resolution authorizing the company to issue additional 2,000,000 shares "to raise urgent capital for expansion."

On the day of the meeting, only Kaggwa and his personal assistant attended. According to the company's Articles, the required quorum for a shareholders' meeting is three members, personally present or by proxy. Despite this, Kaggwa declared the meeting properly constituted and passed the resolution authorizing the share issue.

A week later, the company secretary circulated a notice that the newly issued shares had already been allotted exclusively to Kaggwa in consideration for "capital injection" that was never substantiated. This allotment further increased his control to 85%.

Miriam, the minority shareholder, objected to these developments. She complained that her voting power had been unfairly diluted and that the company was being run in a manner oppressive to her interests. When she attempted to obtain documents relating to the share allotment, the company secretary acting on Kaggwa's instructions denied her access, claiming the information was "confidential."

Meanwhile, the company's financial position deteriorated because key suppliers terminated their contracts, alleging unfair competition and confusion created by the emergence of GreenField Ventures. Sarah and Daniel resigned from the board after being excluded from major decisions and denied access to board papers.

Assuming that you are an expert on the law of Companies, discuss the legal issues raised by the facts above and advise the parties accordingly.

SECTION B

Choose ONE from TWO.

Question 1:

Citing relevant applicable laws write short notes on the following: -

(a) In coming partner.

(b) Limited liability partner.

(c) Active partner.

(d) Dormant partner.

(e) Outgoing partner.

Question 2:

Citing relevant applicable laws write short notes on the following: -

a) (a) Members' voluntary winding up.

(b) Creditors' voluntary winding up.

Compulsory winding up.

Question 3:

Citing relevant applicable laws write short notes on the following: -

a (a) Statutory meetings.

(b) Annual General Meetings.

(c) Extra-Ordinary General Meetings.

Question 4:

Citing relevant applicable laws write short notes on the following: -

(a) Nominal share capital.

(b) Issued share capital.

(c) Paid up share capital.

(d) Reserve share capital.

(e) Unissued share capital.

SECTION C

Choose TWO from FOUR.

Question 1:

The House of Lords explicitly explained this in the case of ***Trevor v Whiteworth (1887) 12 App Cas 409*** thus;

"one of the main objects contemplated by the legislature in restricting the power of limited companies to reduce the amount of their capital is to protect the interests of the outside public who may become its creditors, the effect is to prohibit every transaction between the company and a shareholder by which money already paid to the company is returned to him, unless the court has sanctioned the transaction".

Citing relevant applicable laws and in line with the above statement, discuss the different modes of maintaining of capital.

Question 2:

In the English case of ***Re Smith and Fawcett***, Lord Greene MR observed that the law imposes duties on a director in the interest of the company and not for any collateral purpose.

In line with the above declaration critically analyze the duties of a director to a company and how they can be enforced.

Question 3:

With the aid of relevant applicable statutory provisions and authoritative judicial precedents, discuss the fiduciary and ancillary obligations incumbent upon partners, both in relation to the partnership entity and inter se.

Question 4:

With explicit reference to the pertinent statutory and common-law authorities, critically examine the diverse mechanisms and juridical processes through which the existence of a partnership may be brought to a legal termination.

Question 5:

Citing relevant applicable laws discuss the rule in Foss v Harbottle and the exceptions thereunder.