

**UGANDA MARTYRS UNIVERSITY**

**FACULTY OF LAW**

**LL B 3103 LAW OF BUSINESS ASSOCIATIONS I**

**Instructions**

1. This is a **PARTIALLY OPEN** examination. The use of clean copies of the Companies Act 2012 and the Partnerships Act 2010 is permitted.
2. You are expected to attempt a total of four questions.
3. Question 1 is **COMPULSORY**.
4. Use of relevant authorities in form of statutory provisions, case law and scholarly sources shall contribute greatly to the assessment of your answers.

**QUESTIONS**

1. Parlour Sausages Limited (hereafter Parlour) in June 2021, supplied Victoria Hotel Limited (hereafter VHL) with sausages worth UGX 1,000,000 on clear terms of payment. Two of VHL's directors: Malaika (Managing Director) and Teleeza (Director, Finance) gave personal guarantees that their company would come good on its obligations to Parlour. VHL has since defaulted on the payment. Moreover, Parlour has since discovered that in June 2022, Malaika – who held a 75% majority shareholding in VHL – sold and transferred her entire shareholding to Obela and left the company. Being majority shareholder, Obela constituted a new management and Teleeza resigned in September 2022. Parlour has also learnt through third parties that VHL recently relocated its office to Kisoro. Parlour has since issued a demand notice as well as a notice of intention to sue VHL, Malaika, Teleeza and Obela jointly and severally to recover the above contractual sum. Parlour, in their demand, allege that the conduct of the affairs of VHL is fraudulent and the veil must be lifted to see who is hiding behind it.

**Assume that you are the head of corporate and commercial litigation at G-Shy, Jane-Fur and A-Team Advocates – the firm contracted by Parlour to provide**

**them legal services in this matter. Advise your client (Parlour) on the propriety of the intended suit, pointing out the strengths and weaknesses of the case. (25 marks)**

2. The common law position regarding the ultra vires rule has been varied by section 51 of the Companies Act, that it is almost moot. Discuss.
3. “Where a contract is entered into on behalf of the company not yet formed, the company will not be bound by that contract and neither can it enforce it.” Discuss this statement showing the current status of the law on such contracts.
4. Critically analyse the law relating to dissolution of partnerships, clearly pointing out the rights and obligations of partners upon dissolution.
5. You have been approached by Wakosese Jackline who is the sole proprietor of a business that specialises in the sale of potted plants. She informs you that she would like to bid for a contract to supply potted plants to KCCA for the beautification of Bwaise. However, she learnt that KCCA only contracts with companies.

As a senior corporate lawyer, advise Wakosese Jackline on the following:

- (a) Capacity to form a company (5 marks)
- (b) Reservation of name (5 marks)
- (c) Memorandum of Association (5 marks)
- (d) Articles of Association (5 marks)
- (e) Other documents required to complete formation of a company (5 marks)
6. “The decision by Justice Boniface Wamala in the case of Krone Uganda Limited v Kerilee Investments Ltd, Miscellaneous Application No.306 of 2015, to the effect that a foreign company can operate in Uganda without being locally registered, runs contrary to the provisions of Part VI of the Companies Act 2012.”

Discuss the veracity of this statement.