

**NATIONAL UNIVERSITY OF LESOTHO**  
**FACULTY OF LAW**  
**LL.B FINAL EXAMINATION**  
**L5303 – LAW OF BUSINESS ASSOCIATIONS - I**

**JANUARY 2024**

**MARKS: 100**

**TIME: 3 HOURS**

---

**INSTRUCTIONS:**

1. This paper contains **SIX (6)** questions. Answer any **FOUR (4)** questions.
2. Use relevant authorities to support your answers.
3. All questions carry equal marks.
4. Answer each question on a separate page.

## **QUESTION 1**

Nompumelelo Cooperative Society is a duly registered entity and doing business in Lesotho. It is involved in poultry, dairy and cattle ranching business. The cooperative has become the main supplier of chickens, eggs, milk and beef products in Lesotho. It commenced trading in 1992 as a partnership, which converted into a cooperative society in 2015. After launching a successful Initial Public Offer (IPO) to the investing public in Lesotho, it increased its competitiveness over its competitors. Between 2015 and 2022, the cooperative only made modest profits and members agreed to plough back the profits. However, for the 2023 financial year, the cooperative made M15 million profit (after tax) and the management decided to put aside M5 million to boost reserves, M5 million as working capital, and M5 million for dividends. The majority of the members are extremely disappointed over this development and an urgent meeting was convened to review the management's decision. During the meeting, the management and the members could not reach a mutual agreement. Some members threatened to beat up members of the management, accusing them of being insensitive to the majority's demands.

The majority of the members decided to reallocate half of the profits (M7.500 million) towards dividends, M2.500 million to boost the reserves and M5 million towards financing the activities of the cooperative, which include buying 10 tractors, each worth M300 000 from a local dealer, who is also the Treasurer of the cooperative society.

Advise the management on the legality of the members' decision to increase the amount of available share profit, and how to resolve the dispute that threatens the stability of Nompumelelo Cooperative Society.

**Hint:** Use of **IPAC** is highly recommended.

**[25 MARKS]**

## **QUESTION 2**

- (a) Comment on the importance of any **THREE (3)** ethical values relevant in the governance of Cooperative Societies in Lesotho and how they enhance the ease of doing business.

12 Marks

- (b) With reference to relevant case law, examine the main thread running through most conflicts arising from partnerships in Lesotho.

13 Marks

**[25 MARKS]**

### **QUESTION 3**

- (a) Discuss any **FIVE (5)** disadvantages of a sole trader. In the course of your answer, suggest how you would overcome the disadvantages.

15 Marks

- (b) With reference to the *Cooperative Societies Act* 6 of 2002, examine the effectiveness of Cooperative Societies in Lesotho. In your answer, suggest any sound improvements that can enhance the profitability of such Cooperatives.

10 Marks

**[25 MARKS]**

### **QUESTION 4**

Between 2020 to 2022, Mda developed a new herbicide, a kind of which was mostly sought by farmers in the lowlands in Lesotho. The herbicide is suited for use in row-crop farming, where it is applied before or during planting to maximize crop productivity by minimizing certain species of vegetation that are commonly found in the lowlands. When applied in the fields, the herbicide enriches soil

fertility by up to 15 percent, and as a result, one does not need to use large quantities of top-dressing fertilizer.

Mda wishes to set up a partnership with his wife, his mother and two siblings. His wife and mother want to invest M40,000 each but they do not want to be involved in the management of the business or its daily operations. In addition, Mda's two siblings, namely, Kay and Kicker are eager to invest M5,000 and M10, 000 into the business, respectively. However, in the current economic environment and unpredictable weather patterns, they are concerned about limiting their liability in the event of business failure.

Advise Mda's wife and his mother, as well as Kay and Kicker on their rights to participate in the management of the partnership, their potential liability for the debts and obligations of the partnership, and the options that they have to exit the partnership structure.

**Hint:** Use of **IPAC** is highly encouraged.

**[25 MARKS]**

## **QUESTION 5**

A group of youths from Thaba-Tseka district are desirous of forming a viable agricultural cooperative society specializing in farming apples and pears for the export market. This group has heard that you have recently completed your LLB studies at the National University of Lesotho where you studied the Law of Business Associations in Lesotho. They are reliably informed that, during your study, you also excelled hence they approached you with a comprehensive 50-page registration plan of their intended cooperative society business. However, they are not sure about the law regarding the registration of their intended business.

With reference to the relevant provisions of the *Cooperative Societies Act* 6 of 2006, critically examine the registration process of Cooperative Societies in Lesotho and the preliminary procedures that the group would need to comply with.

**[25 MARKS]**

**QUESTION 6**

Using a blended approach to view the issues of law, social and human dynamics, as may be relevant, critically discuss the economic roles played by partnerships as business investment vehicle in a drive by the Government of Lesotho to recognize efforts by indigenous communities in fighting poverty.

**[25 MARKS]**