

**C. MPUTHIA
ADVOCATES**

Innovative Legal Solutions

LEGAL UPDATES NEWSLETTER

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FINANCIAL HEALTH

www.cmputhiadvocates.com

Editor's Note

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Welcome to C.Mputhia Advocates' online newsletter. The purpose of this newsletter is to update you on topical legal issues while providing tips and suggestions on how you can respond to matters as they arise.

This month's edition is titled "Financial Health." For businesses to thrive they need to be in sound financial health as this is a key pillar of any business. Some of the key financial topics we have covered include debt recovery, valuation of intellectual property, legal risk reduction and raising capital.

You can now recover debt of less than 1 million through in 2 months through the Small Claims Court! Did you know that intellectual property is an asset? For this and more read on

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Recover debt in 2 months
(the Small Claims Court)



Bad debt is a challenge faced by most businesses. Many times businesses write off debts that they cannot recover. Sometimes the cost and process of recovery of debt discourages businesses from recovering debts. Whatever the case, you may have a debt that you have given up on ever recovering.

Good news for businesses and individuals. You can now recover debts of less than 1 million through the new Small Claims Court. This is a Court like any other, which has been set up and designed in such a manner to make debt recovery quick (2 months) and cheap (filing at about Kshs. 1000).

The Court doesn't only handle debt. It handles any claims of less than 1 million be including personal injury cases and others. The court does not follow strict technical rules like the other mainstream courts, making it easy to lodge a claim. The court filing fee is very affordable to many. The court judgement is valid and executable. In a matter of few months you can execute your judgement.

Recovery of debt is important to the business as it will improve your cash liquidity while minimising risk. Business that can benefit from this include suppliers, tenderpreneurs, SACCOS and lenders.



Small Claims Court enables you collect debt through minimal cost and time therefore, improving liquidity and minimising risk.

Sound Legal Health Importance Of Legal Audits

Have you ever procured services or goods and paid for them but later discovered what you paid for is not what you ordered for? However, you were not able to recover because you had no proof or contract to back your claims? A legal audit is a process through which your business processes and structures will be scrutinized with a bid to minimizing risk exposure.

A legal audit is a simple task that may take one to several days depending on the complexity. During a legal audit your lawyer will check all your structures, operations, contracts, property/assets and compliances and advice on areas of non-compliance and best practices. During a simple legal audit, your lawyer will check:

Business registration and compliance. Is your entity registered and if so, is it under the suitable form of business? Do you have licenses, permits and authority to conduct the business?

Business pillars. Your lawyer will ascertain the validity of your business premises leases, employment contracts, supplier contracts and all other contracts that support your business.

Asset/Property issues Your lawyer will ascertain if your assets are property registered in your business name. These include land, vehicles, intellectual property and other assets

Processes and risk exposure Your lawyer will advice on legality of your processes so as to minimize risk exposure.



FOR MORE LEGAL UPDATES watch our Youtube Chanel: C.Mputhia, The Law And You.

C.Mputhia News

We are launching a legal toolkit end of October 2021.

Look out for our 1st book in 2022, "Demystifying The Bill of Rights Volume 1



Funding your business

Businesses need access to capital for various reasons. It could be that you are setting up a new business and need to raise capital for operations. Or it could be that you have reached your growth and expansion stage and need capital to finance your expansion. Funding is a perennial need for businesses and here are tips on how to go about it.

Identify and understand your funding gap as this informs the best type of funding to choose. For example, if your funding gap is to pay business expenses, then it is very risky to take debt as a funding option. This is because requires to be serviced by constant income streams.

What are your long term goals? Funding should be done with the vision and goals of the business in mind. If it is not your desire to dilute ownership, then equity funding will not be attractive to you. Determine your goals so as to determine the most suitable form of funding.

We recommend you seek the advice of professionals in assisting you to determine the best mode of funding. Some of the professional include those who offer services in corporate finance including investment advisors and advocates. There are many institutions that offer funding depending on viability. These include banks, private equity funds, hedge funds, venture capitalists and angel investors.

There are five main types of funding options. These include debt, equity, listing, grant and hybrid funding.

Debt is where a loan is advanced usually against a security and on repayment of the debt (with interest) monthly. Best where you have collateral and where you have predictable revenue streams to finance the debt.

Equity is where an investor invests in your business in exchange for a stake. Best for start-ups and where you do not mind diluting your stake. There are many types of equity funding.

Grant funding is funding given with no conditions as to repayment. Usually the grantor issues grants in relevant sectors for example climatic change. Also ideal for innovation funding.

Listing a source of funding is a rigorous process for companies that wish to attain growth and dilute ownership. The company lists its shares on the stock exchange and sells to the public through publically traded shares.

Hybrid funding occurs as a mix of any of these types of funding. For example, a business can take a hybrid of debt and equity

Reporting Intellectual Property (How to increase your book value with IP)

Intellectual property rights are property rights granted to business for creations of the mind. They include trademarks, patents, copyrights and industrial designs. Did you know that most business have some form of intellectual property? As long as you meet the benchmark, simple business aspects like your logo and website can qualify for intellectual property. Trademark and copyright respectively.

Intellectual property is an asset of the business and can be reported in the book of accounts. The importance of this, is that it raises your book values and makes your business more attractive to stakeholders like investors and lenders. Here are tips on how to go about this

Identify your intellectual property with help from your lawyer. List down all your operations and processes and identify potential IP having understood the different types of IPR. For example, your brand names are potential trademarks, the bottle packaging is a potential industrial design.

Estimate the value. There are different methods of valuing intellectual property including the cost based approach and NPV. Talk to an expert to help you value them.

Protect the IPR where you have not yet. It is important to protect your intellectual property rights where you have not yet secured the same. Talk to an expert on the same.

Report the IPR speak to your accountant or one who prepares your books of accounts for you to help you to report the IP has an asset in your books of account.



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