



CPA PART II SECTION 3

CS PART II SECTION 3

CCP PART II SECTION 3

COMPANY LAW

THURSDAY: 26 November 2020.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

QUESTION ONE

(a) In relation to formation of companies:

- (i) Explain four common law duties of a promoter. (4 marks)
- (ii) Discuss three rules that govern pre-incorporation contracts. (6 marks)

(b) Summarise five ways in which a company might alter its share capital. (10 marks)

(Total: 20 marks)

QUESTION TWO

(a) Kamau borrowed Sh.50,000 from Hope Bank and deposited his XYZ Ltd's share certificate with a blank transfer as a security. Subsequently, he bought goods from the supermarket on credit worth Sh.15,000. The articles of association of XYZ Ltd. claimed a first and paramount lien on its members' shares on debts due to the supermarket.

However, before the supermarket's lien arose the bank gave the supermarket notice of Kamau's share certificate having been lodged with the bank as a security for the loan. Kamau is unable to pay for the goods he obtained from the supermarket and has also defaulted on the loan. XYZ Supermarket wants to exercise its lien and the bank wants to exercise its equitable right to have the shares transferred into its name.

Analyse the rights of:

- (i) The Bank. (6 marks)
- (ii) XYZ Supermarket Ltd. (6 marks)

(b) Highlight four items of agenda that might be discussed at the Annual General Meeting (AGM) of a company. (4 marks)

(c) Describe four classes of persons who might effectively demand for a poll during a general meeting. (4 marks)

(Total: 20 marks)

QUESTION THREE

(a) In relation to corporate restructuring:

- (i) Outline four merger documents which members of each of the merging companies are entitled to inspect. (4 marks)
- (ii) Explain three disadvantages of mergers of companies. (6 marks)

(b) Discuss the powers of the Office of the Attorney-General (OAG) in the appointment of an investigator of company affairs and ownership. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Describe five pieces of information to be provided to a company by a person who intends to inspect the company's register of members. (10 marks)
- (b) XYM Ltd. is a company registered in South Africa. The company intends to register a branch in your country as a foreign company.

With reference to the above statement:

- (i) Summarise the procedure for registration of foreign companies in your country. (7 marks)
- (ii) Explain the manner in which a foreign company might own land in your country. (3 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) (i) Describe the powers and duties of the Official Receiver in his capacity as a corporation sole. (3 marks)
- (ii) Highlight seven ways through which the office of the Deputy Official Receiver might become vacant. (7 marks)
- (b) Discuss five rights of a financial auditor who is resigning from a company. (10 marks)
- (Total: 20 marks)**

QUESTION SIX

- (a) (i) Discuss three ways through which a private company without a company secretary operates. (6 marks)
- (ii) Describe three types of persons who are disqualified from acting as a Company Secretary. (6 marks)
- (b) (i) Explain two ways through which alternate directorship might be terminated. (2 marks)
- (ii) Describe three circumstances when a court might make a disqualification order against a director. (6 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Baridi Ltd. intends to expand its business by diversifying into other forms of business. The management of the company has resolved to start production of instant coffee.

The management is contemplating on whether to issue shares or debentures.

Required:

Advise the management of Baridi Ltd. the disadvantages of debentures over shares as a method of raising capital. (10 marks)

- (b) Explain the distinguishing features of the following types of companies:
- (i) Companies limited by guarantee. (3 marks)
- (ii) Private companies. (4 marks)
- (iii) Public companies. (3 marks)
- (Total: 20 marks)**
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