



**CPA PART II SECTION 3**

**CS PART II SECTION 3**

**CCP PART II SECTION 3**

**COMPANY LAW**

**WEDNESDAY: 29 November 2017.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions.**

**ALL questions carry equal marks.**

**QUESTION ONE**

- (a) Jones Tiida is a director of Tenti Ltd., a manufacturing company which was established recently. He has approached you for advice on whether or not the company should appoint auditors in view of the need to save on costs.

In relation to the above statement, advise Jones Tiida on six purposes of auditing company accounts. (6 marks)

- (b) Outline four circumstances when group accounts of a holding company need not include the accounts of its subsidiary. (4 marks)

- (c) (i) Summarise four rules governing the appointment of the first auditors of a company. (8 marks)

(ii) Outline two ways in which a company auditor might receive his remuneration. (2 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) With reference to corporate restructuring, suggest five defence techniques that a targeted company might use to avoid a hostile takeover bid. (10 marks)

- (b) Company secretaries perform different types of duties in a company.

With reference to the above statement, explain five duties of a company secretary under each of the two categories below:

(i) Statutory duties. (5 marks)

(ii) Administrative duties. (5 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) It is generally unlawful for a company to offer financial assistance to any person for the purpose of purchasing its own shares.

**Required:**

(i) Highlight three legal consequences of contravening this provision. (6 marks)

(ii) Summarise two exceptions to the above statement. (2 marks)

- (b) Birds Limited has three directors; Peacock, Sparrow and Vulture.

Advise on the legal implication of each of the following situations:

(i) Vulture's son has recently turned eighteen and Vulture wishes to appoint him a director of the company. (4 marks)

- (ii) The company is considering the purchase of a substantial quantity of goods from Fly Limited in which Sparrow has a large shareholding though he is not a director. Peacock and Vulture are unaware of Sparrow's interest in Fly Limited. (4 marks)
- (iii) In view of adverse publicity, Vulture and Sparrow decide to exclude Peacock from participating in the company's affairs. (4 marks)

**(Total: 20 marks)**

#### QUESTION FOUR

- (a) Summarise six regulations governing payment and financing of redeemable preference shares. (6 marks)
- (b) Distinguish between "participating" and "non-participating" preference shares. (4 marks)
- (c) Explain three matters that a foreign company's certificate of registration must comply with. (6 marks)
- (d) Outline two liabilities of a local representative appointed by a foreign company. (4 marks)

**(Total: 20 marks)**

#### QUESTION FIVE

- (a) Explain five circumstances under which a member of a company might be held liable beyond his limited liability. (10 marks)
- (b) (i) Explain three categories of public companies. (3 marks)
- (ii) Jairo Chai would like to start a company. He has approached you as a student of company law to guide him through the process.

With reference to the above statement, describe the procedure of registering a limited liability company.

(7 marks)

**(Total: 20 marks)**

#### QUESTION SIX

- (a) (i) Describe three ways in which a liquidator might be appointed. (6 marks)
- (ii) Explain six powers of a liquidator exercisable without sanction of the court. (6 marks)
- (b) Wheels Limited issued a debenture to East Bank Ltd. four years ago. The debenture was in the bank's standard form described as a fixed and floating charge over all the assets of the company. However, due to inadvertence, the charge was neither dated nor registered within time. The company is now in liquidation and the loan is in arrears. The bank seeks your legal advice as to whether it can rely on the charge to prove its claim in the winding up proceedings of the company.

Advise East Bank Ltd. on the implications of non registration of the charge.

(8 marks)

**(Total: 20 marks)**

#### QUESTION SEVEN

- (a) As you are leaving a meeting of the board of directors, you meet Mose Shida, a shareholder, who is aggrieved that since the company was incorporated three years ago, no annual general meeting (AGM) has ever been held by the company. Advise Mose Shida on his rights to request for an AGM. (10 marks)
- (b) State four documents required when casting votes by poll in company meetings. (4 marks)
- (c) Identify six forms of corporate restructuring. (6 marks)

**(Total: 20 marks)**

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