

# KASNEB

CPA PART II SECTION 3

CS PART II SECTION 3

CCP PART II SECTION 3

COMPANY LAW

PILOT PAPER

September 2015.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

## QUESTION ONE

- (a) (i) Explain the meaning of the term "promoter" in the context of company law. (2 marks)
- (ii) Discuss three duties of a promoter of a company. (6 marks)
- (b) Outline the contents of a prospectus issued in Kenya by a foreign company. (6 marks)
- (c) Explain the restrictions imposed on promoters of a company in relation to choice of name. (6 marks)
- (Total: 20 marks)

## QUESTION TWO

- (a) Discuss five ways in which the veil of incorporation might be lifted under statutory provisions. (10 marks)
- (b) Tom and Harry were in the process of incorporating a company called Foot Shoes Ltd. The objects of the company were to make and sell shoes. Before the process of incorporation was complete, Tom entered into a contract with Clean Leather Ltd. under which Clean Leather Ltd. agreed to supply Foot Shoes Ltd. with leather worth one million shillings.
- The price was to be paid in four installments of two hundred and fifty thousand shillings each, over a period of one year.
- Tom signed the contract as follows: "Signed by Tom, on behalf of Foot Shoes Ltd.". By the time the leather was delivered, Foot Shoes Ltd. had been incorporated.
- However, after the second installment had been paid, Foot Shoes Ltd. was unable to pay the balance.
- Advise Clean Leather Ltd. on how to recover the outstanding amount of five hundred thousand shillings. (10 marks)
- (Total: 20 marks)

## QUESTION THREE

- (a) State five ways in which a person's membership in a company might cease. (5 marks)
- (b) Every public company must, within a period of not less than one month nor more than three months from the date at which the company is entitled to commence business, hold a statutory meeting. The statutory meeting enables members of the company to consider the statutory report.
- Outline five contents of the statutory report. (5 marks)
- (c) Explain four duties of a company secretary. (4 marks)
- (d) (i) Define the term "derivative action". (2 marks)
- (ii) Explain four characteristics of a derivative action. (4 marks)
- (Total: 20 marks)

**QUESTION FOUR**

- (a) When debentures are offered for public subscription, the company usually enters into a trust deed with trustees.  
List six contents of a trust deed. (6 marks)
  - (b) Explain four acts or omissions which might give rise to criminal liability in respect of a prospectus. (8 marks)
  - (c) Outline three conditions to be fulfilled before the court can approve a reduction of capital of a company. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain three grounds for removal of an auditor of a company. (6 marks)
  - (b) State four special rights conferred to holders of preference shares of a company. (4 marks)
  - (c) Discuss three events when a floating charge might crystallise. (6 marks)
  - (d) Explain four grounds under which a court might deem it just and equitable to wind up a company. (4 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) In the context of companies in financial difficulty, distinguish between “winding up” and “receivership”. (6 marks)
  - (b) List five registers that must be maintained by a company. (5 marks)
  - (c) Explain the meaning of ‘connected persons’ in relation to insider dealing. (6 marks)
  - (d) Outline three powers of an inspector appointed to investigate the affairs of a company. (3 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) In relation to corporate restructuring, explain the statutory provisions relating to schemes of arrangement and compromises. (10 marks)
  - (b) Explain four circumstances under which the office of a director might be vacated. (4 marks)
  - (c) Distinguish between companies and partnerships as forms of business associations. (6 marks)
- (Total: 20 marks)**
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