



CS PART II SECTION 4

CORPORATE SECRETARIAL PRACTICE

WEDNESDAY: 27 November 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

DOTTY MOTORCYCLES PLC (DMP)

You are the Corporate Secretary of Dotty Motorcycles PLC (DMP), a public limited motorcycle manufacturer. Business is thriving for both its brands, Supermoto, a high performance motorcycle and Ecomoto, an economy motorcycle designed for the “Boda Boda” transport sector. DMP has regional operations in East Africa, including a main production facility in Nairobi. The parent company is incorporated in Kenya but there are assembly units in Uganda and Rwanda.

The production and sale of motorcycles regionally is a complex operation. DMP has business relationships with various entities outside the group. One of the key relationships is with Taya Tyres, a business based in Uganda, which provides tyres for all of DMP’s motorcycles. Taya Tyres ships all its tyres from its main production facility in Jinja to DMP’s production facilities.

The Board of Directors (BOD) of DMP is concerned that progress towards regional expansion has been slow due to legal compliances. The BOD is considering converting the company from a public limited company into a private limited company. To ensure efficiency and flexibility and reducing corporate exposure, the company is also considering setting up independent distributorships established as “unlimited companies”.

Required:

- (a) Discuss five essential conditions that need to be met in the conversion of a public limited company to a private limited company. (10 marks)
- (b) (i) With reference to company law, explain the term “unlimited company”. (2 marks)
- (ii) Advise the directors of Dotty Motorcycles PLC (DMP) on four advantages of an unlimited company. (8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) As a newly appointed corporate secretary of Bengwa PLC, describe five legal requirements relating to minutes of directors meetings. (10 marks)
- (b) Examine five ethical principles guiding Certified Secretaries professionals in your country. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) A company is an artificial person hence cannot sign documents like a natural person. However, the law provides for the use of a company seal. In certain cases, documents not bearing a company’s seal are deemed binding to the parties involved.

Required:

- (i) Cite three instances where signatures by natural persons in the absence of a company seal could bind a company. (3 marks)
- (ii) Describe two instances when a document bearing the common seal may not be legally binding on the company. (4 marks)
- (b) Omondi Bagara acquired 1,000 shares of Wapani Ltd. from the estate of his son Bagara Junior who died in United States of America. Omondi Bagara has never owned shares of a company before and has been wondering about the role of a company secretary.

With reference to the above statement, explain to Omondi Bagara six roles of a company secretary. (6 marks)

- (c) A corporate secretary is a senior level employee in a company, who is responsible for looking after the efficient administration of the company. The corporate secretary wears many hats and one of them is a statutory officer.

Assuming that you are conducting a board training for a Board of Directors and one of the topics is “statutory documents and reports”.

Advise the board on the particulars that should be included in a statutory report. (7 marks)
(Total: 20 marks)

QUESTION FOUR

- (a) Explain five roles of the Institute of Certified Secretaries (ICS) or a similar body in your country. (10 marks)

- (b) Employee share schemes could provide a platform to achieve various business goals.

The Board of Directors of Mupenzi Automobile Ltd. has engaged you as a consultant to advise them on which kind and structure of employee share scheme they could adopt.

As an expert, suggest seven important questions that you could put across to enable you gather adequate data for a sound advisory. (7 marks)

- (c) Wandidi Ltd. opted to develop its own Memorandum of Association during the company’s formation.

Highlight three points they had to consider while drafting the objectives clause. (3 marks)
(Total: 20 marks)

QUESTION FIVE

- (a) With reference to committees of the board, distinguish between a “standing committee” and a “special committee”. (4 marks)

- (b) Enock Papa, the Financial Director of Ukweli Ltd. is planning on preparation of a board paper to be discussed during the forthcoming board meeting of the company.

Required:

Advise Enock Papa on:

- (i) Five contents of a board paper relating to its form. (5 marks)

- (ii) Five characteristics of board papers. (5 marks)

- (c) Assess three types of retirement benefits schemes. (6 marks)

(Total: 20 marks)

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