KASNEB

CPA PART II SECTION 3

CS PART II SECTION 3

CCP PART II SECTION 3

COMPANY LAW

WEDNESDAY: 23 November 2016. **Time Allowed: 3 hours.**

Answer any FIVE questions. **ALL questions carry equal marks.**

QUESTION ONE

(a) With reference to classification of companies, explain the meaning of a "holding company" in relation to another company. (4 marks)

(b) A company cannot on its own execute contracts.

Describe three mechanisms provided by the Companies Act by which a company can sign documents. (6 marks)

(c) Greenpark Limited issued a prospectus inviting members of the public to subscribe for its shares. It was stated in the prospectus that the money was required for the purchase of modern equipment to be used for expansion of the company's business. On the strength of this statement, Rose Sagina purchased shares of the company but she has since learnt that all the money received was used to repay the debts of the company which were long overdue. Rose Sagina feels shortchanged and seeks your legal advice.

Analyse the legal principles applicable in the above case and advise Rose Sagina appropriately. (10 marks)

(Total: 20 marks)

QUESTION TWO

(a) Explain the general effect of pre-incorporation contracts. (2 marks)

(b) Discuss how a promoter might overcome the liability of pre-incorporation contracts. (8 marks)

(c) In relation to the directors' duty of disclosure of interest, outline five matters which the directors are required to disclose in order to avoid being penalised under the Companies Act. (10 marks)

(Total: 20 marks)

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QUESTION THREE

(a) Every public limited company must have a company secretary who is one of the officers of a company.

With reference to the above statement:

(i) State two qualifications for one to be appointed as a company secretary of a public limited company in your country. (4 marks)

(ii) Summarise the particulars a company shall ensure are in the register of secretaries if the secretary of a public company is a company or firm. (6 marks)

(b) Identify two persons who can act as insolvency practitioners in relation to a company. (2 marks)

(c) With specific reference to offences relating to liquidation, explain four circumstances under which the directors of a limited company might be charged with fraudulent or wrongful trading. (8 marks)

(Total: 20 marks)

QUESTION FOUR

(a) With reference to membership of a company:

(i) Summarise eight rights of members to communication on company information. (8 marks)

(ii) Highlight two particulars to be entered in a company's register of members. (2 marks)

(b) In the context of company charges, describe five principles governing the priority of the charges. (10 marks)

(Total: 20 marks)

QUESTION FIVE

(a) With reference to corporate restructuring, discuss five causes of failure of mergers and acquisitions. (10 marks)

(b) Explain three rules to be observed when drafting the minutes of public company meetings. (6 marks)

(c) State four items of agenda at an annual general meeting of a company. (4 marks)

(Total: 20 marks)

QUESTION SIX

(a) The Companies Act provides that if no auditor has been appointed by the end of the next period for appointing auditors, any auditor in office immediately before that time is taken to be re-appointed at that time.

With reference to public companies, summarise five exceptions to the above provision. (10 marks)

(b) With reference to the procedure for registration of companies:

(i) Describe the requirements that an application for registration must meet before the registrar can approve it. (6 marks)

(ii) Highlight the requirements that a certificate of registration must comply with. (4 marks)

(Total: 20 marks)

QUESTION SEVEN

(a) Discuss five circumstances under which a court might appoint one or more competent inspectors to investigate the affairs of a company. (10 marks)

(b) With reference to shares:

(i) Define the term "Pre-emption rights". (2 marks)

(ii) Identify four instances when pre-emption rights do not apply. (4 marks)

(iii) Describe two rules on allotment of shares by public companies. (4 marks)

(Total: 20 marks)

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