



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **FOUR**
FIRST SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 412

COURSE TITLE: COMPANY LAW

EXAMINATION DURATION: 3 HOURS

DATE: 06/12/17

TIME: 09.00-12.00 PM

INSTRUCTION TO CANDIDATES

- The examination has SIX (6) questions
- Question ONE (1) is COMPULSORY
- Choose any other THREE (3) questions from the remaining FIVE (5) questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of THREE (3) printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Discuss the circumstances under which a corporate veil or incorporation may be lifted. [8 marks]
- (b) Ali, Kamau and Idle are directors of Wakwetu Co. Ltd. The company is in dire need of capital to fund its expansion. Advise them on the methods available for raising capital from the public [6 marks]
- (c) In relation to company law, explain the powers and fiduciary duties of the board of directors of a company. [7 marks]
- (d) Identify and briefly explain clauses contained in the Memorandum of Association. [4 marks]

QUESTION TWO

- (a) Explain the Rule in Royal British Bank V. Turquand and enumerate the various exceptions to the rule [8 marks]
- (b) The articles of Shirika Company Ltd. provided that the directors had power to determine who should be entitled to sign contracts and documents of behalf of the company.

One director ChapuChapu, describing himself as the Chairman and without having been so authorized, executed and gave guarantee to Chafua in the name of the company. Shirika Company have found out about the guarantee executed and have refused to honour it as demanded by Chafua.

i. Explain whether Shirika Company Ltd. is liable with regard to the demands by Chafua.

[7 marks]

QUESTION THREE

Advise the directors of Maalim's Company on the following issues:

- (a) The provisions of the Companies Act that relate to the calling of the annual general meeting and duties of the chairman during such a meeting [5 marks]
- (b) When a company is compelled to call an extra ordinary general meeting [5 marks]
- (c) The procedure to be followed to remove a director from office [5 marks]



QUESTION FOUR

- (a) Outline the qualified minority rights of a member which can only be enforced by the joint efforts of a membership group as defined under the Companies Act **[5 marks]**
- (b) What are the legal restrictions imposed on the choice of a name of a proposed company **[5 marks]**
- (c) Enumerate the rights accorded to an auditor to enable him perform his duties as the auditor of a company. **[5 marks]**

QUESTION FIVE

- (a) Outline the circumstances under which a company may be wound up by the court on just and equitable grounds. **[5 marks]**
- (b) Highlight the types of debts which are treated as preferential in a winding up under the Companies Act. **[6 marks]**
- (c) Outline the rules governing payment of dividends. **[4 marks]**

QUESTION SIX

- (a) “The doctrine of ultra vires was a nuisance to the company and a trap to unwary third parties.” Explain the principles in the doctrine of ultra vires and the exceptions thereof. **[5 marks]**
- (b) Outline the provisions of the Companies Act, relating to civil and criminal liability in respect of non-compliance with provisions relating to a prospectus on the Company and the directors. **[6 marks]**
- (c) State and briefly explain the conditions which must be fulfilled before a company limited to shares can issue redeemable preference shares. **[4 marks]**

