



CPA INTERMEDIATE LEVEL

CS INTERMEDIATE LEVEL

COMPANY LAW

THURSDAY: 8 December 2022. Morning Paper. Time Allowed: 3 hours.

Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

QUESTION ONE

- FIVE**
- (a) Highlight rules relating to the naming of companies. (5 marks) Describe the effect of the principle elucidated by Lord MacNaghten in the case of Salomon-V-Salomon. (7 marks)
- (b) Explain the difference between a “company limited by shares” and a “company limited by guarantee.” (4 marks)
- (c) Identify **FOUR** features of an unlimited company. (4 marks)

(Total: 20 marks)

QUESTION TWO

- (a) The articles of association form the framework within which the company and its members relate. Highlight **FIVE** limitations that must be observed when altering the articles of a company. (5 marks)
- (b) In relation to corporate restructuring:
- (i) Define amalgamation as a corporate restructuring strategy. (2 marks)
- (ii) Highlight **THREE** elements of corporate restructuring. (6 marks)
- (c) With specific reference to company secretaries:
- (i) Identify the circumstance under which a private company is required to have a company secretary. (1 mark)
- (ii) Describe the ways in which a private company that does not have a company secretary undertakes service of documents and authorises matters that require a company secretary. (6 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Describe **SEVEN** reasons why a shareholder’s membership in a company might be terminated. (7 marks) Highlight items that form the content of a members’ register in a company. (3 marks)
- (b) Brian is a preference shareholder in Duniani Company limited. He is entitled to a dividend of 11%. The company has however been suffering losses and has passed a resolution in a general meeting to reduce the dividends on preference shares to 7%.
- Advise Brian on:
- (i) His rights as a preference shareholder. (6 marks)
- (ii) Whether the company can vary the dividends he may be given. (4 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Describe the general contents of a company's annual return. (6 marks) Explain the following types of share capital:
- (b) (i) Paid-Up Capital. (2 marks) (ii) Issued Share Capital. (2 marks) Summarise the following in relation to company administration:
- (i) THREE objectives of administration. (3 marks) (ii) THREE persons who are entitled to make an application to the Court for an administration order. (3 marks) (iii) Highlight FOUR powers exercised by an administrator appointed by the Court. (4 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) In Re Yorkshire Wool Combers Association Limited, a floating charge is described as one that hovers over the assets of the company as compared to a fixed charge. With reference to the above statement:
- (i) Describe THREE circumstances that will cause the crystallisation of a floating charge. (4 marks)
- (ii) Outline TWO characteristics of a fixed charge. (2 marks)
- (b) Madax Transporters Limited registered a charge on its fleet of motor vehicles in favour of Kopesha Bank to secure a borrowing of Kenya Shillings Fifty Million (Sh. 50,000,000). Madax Transporters Limited has defaulted on the loan repayment.
- Outline FOUR options available to Kopesha Bank as the chargee. (4 marks)
- (c) Highlight SIX instances when one person can form quorum in a company meeting. (6 marks)
- (d) Makato Limited will be holding its Annual General Meeting (AGM) in thirty (30) days' time. The meeting is set to be held at the Kasarani Gymnasium from 10.00 a.m.
- Outline FOUR items to be indicated in the notice to be shared with the members of the company. (4 marks)

(Total: 20 marks)

QUESTION SIX

- (a) You have been invited to speak at the board induction meeting of Ciffina Limited where three new directors have been appointed.
- In relation to the above statement, outline FIVE statutory duties of a director. (5 marks)
- (b) Discuss THREE remedies available to a lender who has acted in good faith and without knowledge that the company has borrowed money beyond its powers. (6 marks)
- The role of a financial auditor is played by a person with the relevant competencies and independence to make appropriate judgement.
- (c) Identify FOUR persons who are disqualified from appointment as financial auditors. (4 marks)
- Highlight FIVE types of returns that must be delivered to the Registrar of Companies by a foreign company. (5 marks)
- (d)

(Total: 20 marks)



QUESTION SEVEN

- (a) Directors are required to prepare a directors' report to accompany the annual financial statements presented to members at an Annual General Meeting (AGM).

Describe FIVE matters that must be captured in a directors' report. (10 marks)

- (b) Identify FIVE instances when a court may appoint one or more competent inspectors to investigate the affairs of a company. (5 marks)

Highlight FIVE documents that a liquidator must lodge with the Registrar of Companies when making an

- (c) application for voluntary winding up of a company. (5 marks)

(Total: 20 marks)

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