



CPA INTERMEDIATE LEVEL

CS INTERMEDIATE LEVEL

COMPANY LAW

THURSDAY: 27 April 2023. Morning Paper. Time Allowed: 3 hours.

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

QUESTION ONE

- (a) A group of four graduates have decided to form a small business firm to deal in import and export trade. You have been appointed as a member of the technical committee to help in registering the firm as a limited liability company. Explain to the committee the matters below:
- (i) The FIVE legal characteristics of the entity that will be registered. (5 marks)
 - (ii) FIVE particulars to be included in the company's Memorandum of Association. (5 marks)
- (b) With respect to the nature and classification of companies, distinguish between a registered company and a:
- (i) Statutory corporation. (1 mark)
 - (ii) Partnership. (4 marks)
- (c) FIVE Outline instances under common law where the veil of incorporation may be lifted. (5 marks)
- (Total: 20 marks)

QUESTION TWO

- (a) With respect to company meetings, answer the following questions:
- (i) Define a "special notice". (2 marks)
 - (ii) Highlight TWO circumstances under which a special notice would be required. (4 marks)
 - (iii) Describe FOUR matters that require to be determined by members through a special resolution. (4 marks)
- (4 marks)
- (b) In the context of Company Directors:
- (i) Explain the indoor management rule. (4 marks)
 - (ii) Identify what constitutes Directors' remuneration. (6 marks)
- (Total: 20 marks)

QUESTION THREE

- (a) In relation to company membership:
- (i) Describe TWO rules which a company might use to remove from its register of members details of a former member. (4 marks)
 - (ii) Explain the circumstances under which a court might order rectification of the register of members of a company. (2 marks)
 - (iii) Explain FOUR disadvantages that a minority shareholder may face in bringing a derivative action. (4 marks)
- (4 marks)
- (b) FIVE Describe responsibilities of a company secretary. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) The general rule is that an auditor is only liable to the company for professional negligence. Discuss THREE circumstances under which the auditor of a company might be liable to third parties for professional negligence. (6 marks)
 - (b) Outline THREE items contained in a company's auditor report. (3 marks)
 - (c) Directors are required to prepare a director's report to accompany the financial statement presented to members. Highlight FOUR matters captured in a director's report. (8 marks)
 - (d) THREE Identify ways in which the appointment of a Court appointed inspector may be terminated. (3 marks)
- (Total: 20 marks)

QUESTION FIVE

- (a) Describe THREE circumstances under which a company is allowed to pay commission on shares. Highlight (6 marks)
 - (b) the circumstances under which a company might decline to register a transfer of shares. Highlight (6 marks)
 - (c) the particulars contained in a company prospectus. (8 marks)
- (Total: 20 marks)

QUESTION SIX

- (a) Highlight FOUR grounds upon which the commissioner of insurance might petition for the winding up of a company (4 marks)
 - (b) Highlight SIX powers that a liquidator can exercise without the sanction of the court. (6 marks)
 - (c) In the context of foreign companies:
 - (i) Highlight FOUR particulars contained in a certificate of registration of a foreign company. (4 marks)
 - (ii) Discuss the options available to a foreign company to establish presence in Kenya. (6 marks)
- (Total: 20 marks)

QUESTION SEVEN

- (a) Highlight FIVE forms of corporate restructuring. (5 marks) In the context of debt capital, state FIVE advantages of a trust deed. (5 marks)
 - (b) Highlight the documents that a liquidator must lodge with the registrar of companies when making an application for voluntary winding up of a company. (5 marks)
 - (c) Highlight FIVE powers exercised by an administrator appointed by the court. (5 marks)
- (Total: 20 marks)

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