



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

THIRD YEAR SECOND TERM EXAMINATION FOR

DIPLOMA IN ACCOUNTANCY

COMPANY LAW

DATE: 9/6/2021

TIME: 2.30-5.30 PM

INSTRUCTIONS:

ANSWER ANY FIVE QUESTIONS.

1. a) In reference to the companies Act, outline six matters that should be expressly stated in an auditor's report. (12 marks)
- b) Explain four conditions that should be fulfilled before a public limited company can commence business. (8 marks)
2. a) Outline six documents that should be delivered to the registrar of companies for the purpose of registering a company (12 marks)
- b) With reference to the doctrine of ultra vires
 - i. State two purposes of the doctrine
 - ii. Explain two exceptions to the doctrine (8 marks)
3. a) Explain five circumstances under which a company may by a special resolution alter the objects of its memorandum of association (10 marks)
- b) Explain five advantages of a private company over a public company. (10 marks)
4. a) Outline six circumstances under which a director may be disqualified from holding office. (12 marks)
- b) Explain four conditions that must be satisfied before redeemable preference shares are redeemed (8 marks)
5. a) In relation to a company's memorandum of association explain
 - i. Contents of the objects clause (4 marks)
 - ii. Meaning and effect of the doctrine of ultra vires. (4 marks)

- b) Bafana wishes to form a company to buy a commercial building. Before the company is formed Bafana enters into a contract for the purchase of office furniture on behalf of the proposed company. The company is duly formed the furniture purchased and delivered. However before payment of furniture the company goes into liquidation. Explain the legal effect on the promoters contract on the company. (12 marks)
6. a) Explain five rights of directors to remuneration. (10 marks)
- b) Explain how the capital of a company can be
- i. Altered. (5 marks)
- ii. Reduced (5 marks)
7. a) The directors of Bombo Wananchi Farmers bought a plot in their own names at a price of Ksh 2 million. They immediately sold the plot to the company at a price of Ksh 10 million. Two shareholders intend to bring an action against the directors to compel them to make good the losses incurred by the company owing to the director fraud.
- i. Outline the legal principles involved in this case
- ii. Advice the two shareholders (10 marks)
- b) With regard to a company's general meeting, explain the categories of persons who may have power to call a meeting. (10 marks)