



MACHAKOS UNIVERSITY

University Examinations 2021/2022 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM

MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BBA 401 COMPANY LAW

DATE: 25/8/2022

TIME: 2.00-4.00 PM

INSTRUCTIONS

Answer question one and nay other two questions

QUESTION ONE (COMPULSORY) (30 MARKS)

Kenya company act cap 486 is not a self-contained act because, it was borrowed from English company act of 1948. The fundamental principles have been extracted from study of numerous decided cases therefore, the true meaning of fundamental concept can only be understood against the background of some of the cases.

In the case of Macaura V. Northern Assurance Co(1925)

Mr Macaura owner of an estate and some timber assigned whole of the timber to a registered private company limited by shares known as Statutory Chartered Sawmill Company Limited for a consideration of their issued share capital. The timber, which amounted to almost the entire assets of the company, was stored on the estate of the company. On February 1922, Macaura insured the timber in his own name.

Two weeks later a fire destroyed all timber on the estate. Mr Macaura tried to claim under insurance policy. The insurance company refused to pay any indemnity to the appellant on the ground that he had no insurable interest in the timber at the time as it belonged to a different person.

The House of Lords found that:

- The timber belonged to a separate legal person capable of suing
- Mr Macaura even though he owned all the shares, there was separation of ownership and management.
- Just as corporate personality facilitates limited liability by having the debts belong to the corporation and not members, it also means that company's property belong to it and not shareholders.

In the light of the above case,

- a) Explain the characteristics of a company as shown in the case of Macaura. (10 marks)
- b) Explain the fundamental concepts of a company (4 marks)
- c) Discuss the types of companies, which Macaura would have formed had he been in Kenya. (10 marks)
- d) Discuss characteristics of a private company as defined by sec 30 companies act cap 486 (6 marks)

QUESTION TWO (20 MARKS)

- a) Identify contents of memorandum of association (10 marks)
- b) Analyze the effects of legal status that distinguish a company from a partnership (10 marks)

QUESTION THREE (20 MARKS)

- a) Winding up of a company by court is called compulsory winding up Explain circumstances under which this happens. (10 marks)
- b) Identify the statutory offences in conducting a company affairs (10 marks)

QUESTION FOUR (20 MARKS)

- a) Who can petition for compulsory winding up of a company? (10 marks)

- b) Discuss a corporate veil (2 marks)
- c) When can a court pierce the corporate veil? (8 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the liabilities of a member (10 marks)
- b) Discuss five advantages and five disadvantages of incorporation. (10 marks)