



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

- (a) Highlight **FIVE** rules relating to the naming of companies. (5 marks)
 - (b) Describe the effect of the principle elucidated by Lord MacNaghten in the case of Salomon-V-Salomon. (7 marks)
 - (c) Explain the difference between a “company limited by shares” and a “company limited by guarantee.” (4 marks)
 - (d) 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)
 - (b) Highlight **THREE** items that form the content of a members’ register in a company. (3 marks)
 - (c) 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)
- (b) Explain the following types of share capital:
- (i) Paid-Up Capital. (2 marks)
 - (ii) Issued Share Capital. (2 marks)
- (c) 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)
- (c) The role of a financial auditor is played by a person with the relevant competencies and independence to make appropriate judgement.
- Identify **FOUR** persons who are disqualified from appointment as financial auditors. (4 marks)
- (d) Highlight **FIVE** types of returns that must be delivered to the Registrar of Companies by a foreign company. (5 marks)
- (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)

- (c) Highlight **FIVE** documents that a liquidator must lodge with the Registrar of Companies when making an application for voluntary winding up of a company. (5 marks)

(Total: 20 marks)

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