



**CPA INTERMEDIATE LEVEL**

**CS INTERMEDIATE LEVEL**

**COMPANY LAW**

**THURSDAY: 24 August 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) Explain **THREE** ways in which persons intending to form a company may avoid personal liability on contracts they make on behalf of the proposed company. (6 marks)
- (b) Summarise any **FOUR** legal duties of a company's external auditor. (4 marks)
- (c) The general rule is that companies must not give loans to directors. However, there are certain circumstances under which a company can give loans to a director.  
In relation to the above statement, examine **THREE** such circumstances. (6 marks)
- (d) Outline **FOUR** contents of a certificate of incorporation of a company. (4 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Distinguish between "participative preference shares" and "non-participative preference shares". (4 marks)
- (b) Highlight **FOUR** statutory registers that must be maintained and kept at the registered office of a company. (4 marks)
- (c) A company can be wound up for failure to pay its debts. Explain to Edna Makena, one of the creditors of Ushindi Co. Ltd, **THREE** circumstances under which a company may be deemed unable to pay its debts. (6 marks)
- (d) Describe **THREE** types of company prospectuses. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Explain **THREE** pieces of information that a Director's report must contain once a company has issued debentures in any financial year. (6 marks)
- (b) Summarise **SIX** contents of a notice of a general meeting. (6 marks)
- (c) List **FOUR** fiduciary duties of company directors. (4 marks)
- (d) A private company need not have a company secretary.

Explain **TWO** ways in which service and actions are carried out when a private company elects not to have a company secretary. (4 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) State **SIX** elements of proper accounting records under company law. (6 marks)
  - (b) Highlight **SIX** offences relating to liquidation of companies. (6 marks)
  - (c) Evaluate **FOUR** ways in which a company can reorganise its share capital. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) In relation to investigation of company affairs:
    - (i) Explain the purpose of an investigation into a company's affairs under company law. (4 marks)
    - (ii) Identify **FOUR** parties that have the authority to initiate an investigation of a company's affairs under company law. (4 marks)
    - (iii) Highlight **SIX** consequences of an adverse finding from investigation of a company's affairs. (6 marks)
  - (b) Describe **THREE** reporting requirements for foreign companies operating in Kenya. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) In relation to corporate restructuring, explain the following terms:
    - (i) Compromises. (2 marks)
    - (ii) Arrangements. (2 marks)
    - (iii) Reconstructions. (2 marks)
    - (iv) Takeovers. (2 marks)
  - (b) Discuss **THREE** advantages and **THREE** disadvantages of the principle of legal personality. (12 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Describe **FOUR** types of opinions that can be issued in an Auditor's report. (8 marks)
  - (b) With specific reference to beneficial ownership:
    - (i) Explain **THREE** criteria that a beneficial owner must satisfy. (6 marks)
    - (ii) State **SIX** particulars to be entered in the register of beneficial owners as prescribed by the regulations on beneficial ownership. (6 marks)
- (Total: 20 marks)**
- .....