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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 10th August, 2023
Time: 11.30am –1.30pm

KBA 424 - COMPANY LAW

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Read the case study below and answer questions 1a to 1f.

Rinya private company ltd was incorporated in 1965 to trade in supplying building materials. The company was highly profitable until the advent of COVID 19, when things started going south. Its profits nosedived, the customer base shrunk and some of the branches were closed down. As a result, the company could not meet its obligations, suppliers were not being paid and it became apparent that sooner or later the company would not be in a position to meet its operations costs, including paying employee. With these developments the shareholders decided to wind up the company.

During the winding up process it was discovered that some directors owed the company some huge amounts of money beyond their share holding, which was not initially declared or approved by the board of directors or the share holders. The company had also entered into contracts with some other organizations which were not included in the memorandum. At the same time, it also became apparent that the company was actually an agent of some of the major share holders and was acting on their behalf to conceal their involvement in fraudulent activities. The company initially had 10 members but the article of association was changed to read a minimum of seven members and no maximum. This too was not approved by the share holders.

The former company secretary was sacked by the board when he resisted some of the activities which were being carried by the board. The new company secretary was found to be a close associate of the board chairman and though an advocate of the High court, she was not a holder of certified public secretaries (CPS) certificate. The auditors reported that some of their questions were not responded to appropriately and some of the evidence sought was not produced. The registrar of companies appointed a team of investigators to investigate the company's affairs and give a report.

- a) Using the principle of corporate veil, enumerate the circumstances in which the court may lift the veil if the shareholders took the company to court. (6 marks)
- b) The new company secretary did not have the qualification. Outline the qualifications the management of Rinya company should have used to recruit the company secretary. (6 marks)
- c) State the importance of the doctrine of ultra vires in this case and highlight its exceptions. (5 marks)
- d) Under what circumstances would the registrar order for the investigation of Rinya Private Company's affairs. (5 marks)
- e) Explain the type of opinion the auditors could have given in this case. (4 marks)
- f) Define the article of association and highlight the circumstances in which the article of association of Rinya Private company may be changed. (4 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the different reasons that can make a company to be liquidated. (10 marks)
- b) AZ Private Company Ltd passed a resolution in its special general meeting to use its assets to borrow money from a bank to invest. Discuss the company's assets that could be used in this case. (10 marks)

QUESTION THREE (20 MARKS)

- a) George Chipweze is a foreigner and wants to register a company. Explain to him the process of registering a company In Kenya. (8 marks)
- b) Define the doctrine of indoor management and explain exceptional cases to the doctrine. (6 marks)
- c) Evaluate the Powers of Directors with regard to managing the business of the company. (6 marks)

QUESTION FOUR (20 MARKS)

- a) Examine the circumstances in which affairs of a company may be investigated by the registrar of companies. (8 marks)
- b) Discuss the rights and liabilities of company shareholders. (6 marks)
- c) Explain the role of a receiver in a company. (4 marks)

QUESTION FIVE(20 MARKS)

- a) If authorized by its constitution, a company may alter its share capital. Explain the circumstances that may lead to share capital alteration in a company. (10 marks)
- b) Enumerate the advantages of converting a private limited company into a public limited company.

(10 marks)