



Kasarani Campus  
Off Thika Road  
Tel. 2042692 / 3  
P. O. Box 49274, 00100  
NAIROBI  
Westlands Campus  
Pamstech House  
Woodvale Grove  
Tel. 4442212  
Fax: 4444175

**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2020/2021 ACADEMIC YEAR**  
**FOURTH YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 11<sup>th</sup> December, 2020  
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)**

- a) Explain the circumstances under which the veil of a company may be lifted. (10 Marks)
- b) Evaluate the characteristics of a company. (8 Marks)
- c) Joanne wishes to register a business enterprise but she knows very little about business associations. She mulls over choices including partnership, sole proprietorships and limited companies. Joanne is unable to make up her mind on the type of business to establish and seeks your advice.

Advise Joanne on the advantages of sole proprietorships over the other forms of business organizations. (6 Marks)

- d) Discuss the advantages of incorporation. (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) Explain the difference between “debentures” and “shares” (10 Marks)
- b) Describe the documents which are required for a registration of a private limited company. (10 Marks)

### **QUESTION THREE (20 MARKS)**

The shares of Usilo Limited, a private company are held by Mary, James and John. Mary and James hold 90% of the company's shares. However, they feel that the company is in need of further capital but due to squabbles, they are not willing to inject additional funds as long as John still holds some shares in the company. Further, Mary and James believe that John has another business which is competing with that of Usilo Limited. To resolve the problems, Mary, James and John propose to alter the company's articles of association by adding two new articles.

The first article will enable the shareholders of 90% of the company's shares to compulsorily acquire the shares of the minority shareholder. The second articles will require any shareholder who carries on competing business with the company's business to transfer his shares to the nominee of the directors.

John is aggrieved by the proposed alterations and comes to you for advise.

- a) Advise John on the validity of the proposed alterations to the articles. (8 Marks)
- b) In relation to share capital;
  - i) State four exceptions to the rule that a company should not issue shares at a discount. (6 Marks)
  - ii) Explain three roles of the court in reduction of company's capital. (6 Marks)

### **QUESTION FOUR (20 MARKS)**

- a) Discuss the fiduciary duties of a promoter. (10 Marks)
- b) Explain the content of Memorandum of Association in relation to the doctrine of ultra vires. (10 Marks)

### **QUESTION FIVE (20 MARKS)**

- a) Discuss the consequences of incorporation. (10 Marks)
- b) Explain the circumstances in which the doctrine of indoor management will not apply. (10 Marks)