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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 12th April, 2024
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 1e.

Case Study: Alpha Industries Ltd. - Navigating Company Laws and Corporate Challenges

Alpha Industries Ltd. was established two years ago with the goal of becoming a prominent player in the manufacturing industry. However, the company has encountered legal hurdles that require careful consideration and resolution. These challenges encompass aspects such as the initial formation, management of share capital, audit processes, adherence to the doctrine of ultra vires, and the need for corporate restructuring. The key issues of concern are whether all legal requirements were adhered to during the formation of Alpha Industries Ltd. There is a feeling that there are challenges related to the company's Memorandum and Articles of Association.

Questions have been raised on how the company is raised its share capital and whether it was in compliance with the relevant company laws. The company has not been conducting regular and thorough audits of its financial accounts. This has been attributed to incompetency and apparent lack of transparency and independence by the Audit department. It has engaged in activities that are beyond the scope defined in its Memorandum of Association and this is a major concern to the shareholders. The stake holders feel that the company secretary does not advise the board and management appropriately on legal matters pertaining to the running of the company and think he should leave the organization. With all these challenges, there is a feeling among the stakeholders for the need to restructure the company to enhance efficiency and address the financial challenges.

Required:

- a) There is a feeling that there are challenges related to the company's Memorandum and Articles of Association. State the contents of the memorandum of association that Alpha Industries Ltd should comply with. (6 marks)
- b) One of the key issues facing Alpha Industries is how it raised its share capital and whether it was in compliance with the company laws. Advise on the options available for the company to raise its share capital. (6 marks)

- c) Alpha Industries has engaged in activities that are beyond the scope defined in its Memorandum of Association and this is a major concern to the shareholders. Using the concept of Ultra vires explain to the stakeholders the rights of Alpha Industries Ltd. (6 marks)
- d) Stake holders of Alpha Industries feel the company secretary should leave the organization. Examine the circumstances under which the company secretary can be removed. (6 marks)
- e) In the context of potential corporate restructuring, examine the restructuring options available to Alpha Industries. (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the circumstances Under Which a company can be held criminally liable. (8 marks)
- b) Describe any four classes of debentures in a company. (8 marks)
- c) Outline any four disadvantages of a private company. (4 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the various types of share capital of companies. (6 marks)
- b) Every company shall in each year hold a general meeting as its annual general meeting. Examine any four important agendas in any Annual General Meeting. (8 marks)
- c) Evaluate the Powers of Directors with regard to managing the business of a company. (6 marks)

QUESTION FOUR (20 MARKS)

- a) A group of young entrepreneurs wants to start a company. As an experienced business person advise them on the procedure of incorporation of a company. (8 marks)
- b) Distinguish between companies and other forms of businesses. (6 marks)
- c) Members of a company are entitled to a number of rights. Outline any six rights of members in a company. (6 marks)

QUESTION FIVE(20 MARKS)

- a) Explain the rules that a company should adhere to when it comes to the issuance of dividends. (8 marks)
- b) Using Section 161(2) of the companies Act, examine the circumstances under which a person can be disqualified from being appointed as an auditor of a company. (8 marks)
- c) Explain the concept of pre-incorporation contract highlighting its effects on the company . (4 marks)