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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2021/2022 ACADEMIC YEAR
FIRST YEAR, FOURTH SEMESTER EXAMINATION
FOR THE DIPLOMA IN ACCOUNTING
DBA 1118-COMPANY LAW

Date: 4th August 2022
Time: 8.30am-10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS
QUESTION ONE (30 MARKS)

CASE STUDY

Wambua and Mwikali are planning to open a law firm as partners. They have been running their firms separately but due to financial constraints experienced on both ends they have decided to do it as partners. In order to merge the costs of running their business as well as add their customer portfolio to their new business. After many consultations with other businessmen they have decided to add a third member to their team who is not a lawyer but will serve as their sponsor in order to boost their business operations. The sponsor is a bit confused on how to go about this partnership at first but after several advices from different people he agrees to this partnership and that is how Wambua and Mwikali Advocate is birthed.

- a) From the excerpt explain the type of business Wambua and Mwikali advocate is and justify your answer. (6 Marks)
- b) Explain what you would advise the sponsor on the characteristics of a private company. (6 Marks)
- c) If you were to give the members advice which company would you advise them to start between a limited and an unlimited company. Justify your answer. (6 Marks)
- d) Highlight some of the requirements the three directors will be expected to deliberate on in order to raise capital. (6 Marks)
- e) Outline the meaning of an article of association and a memorandum of association to the sponsor who does not have any legal background. (6 Marks)

QUESTION TWO (20 MARKS)

- a) A company can be defined as a group of persons associated together for the purpose of attaining a common objective, social or economic. Discuss its characteristics. (10 Marks)
- b) There are several formalities, which have to be followed before a company is incorporated. Explain the process of company incorporation. (10 Marks)

QUESTION THREE (20 MARKS)

- a) A promoter is the person who conceives the idea of forming a company. Discuss the functions of a promoter in company law. (10 Marks)
- b) Examine the importance of a memorandum of association. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the contents that are expected to be included in an article of association. (10 Marks)
- b) A prospectus gives a picture of the company's intended activities and position. Explain what must be observed in the preparation of a prospectus. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Analyse the relationship between an article of association and a memorandum of association. (10 Marks)
- b) Explain the effects of ultra vires transactions in company law. (10 Marks)