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**KIRIRI WOMEN'S UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**SECOND YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DIPLOMA IN ACCOUNTING**  
**DBA 1118: COMPANY LAW**

Date: 15<sup>TH</sup> DECEMBER 2023  
Time: 8:30AM-10:30AM

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

After graduating from the University of Jaju with a Bachelor of Commerce, Amina decided to start her own business. Her intention was to practice the skills she had learnt at the University. She also had a dream of becoming one of the most successful business ladies in Kenya. She consulted her mentor who advised her to register a Private Limited Company. A limited company is a registered association which is an artificial legal person, having an independent legal entity with a perpetual succession, a common seal for its signatures, a common capital comprised of transferable shares and carrying a limited liability. Private companies are conferred with several privileges and exemptions under the companies Act, 1956. For example, they do not need to hold statutory meetings, there is no restriction on managerial remuneration and they do not require a certificate of commencement to begin their business.

- a) Describe the two basic documents that are involved in the formation of a limited company. **[6 marks]**
- b) Describe the process of converting a private limited company into a public limited company. **[6 marks]**
- c) Explain how the legal profession ensures that the rule of law is respected by all the citizens of Kenya. **[6 marks]**
- d) A registered company continues to exist until steps are taken to effect its dissolution or winding up. Describe the process of creditors' voluntary winding up of a registered company. **[6 marks]**
- e) Describe pre-incorporation or preliminary contracts ascribed in company law. **(6 marks)**

**QUESTION TWO (20 MARKS)**

- a) Public as well as private limited companies are allowed by law to borrow but they must be guided by their memorandum and articles of association. Borrowings that are not guided by the memorandum and articles of association are referred to as *ultra vires* borrowings. Describe the two types of *ultra vires* borrowings. **[8 marks]**
- b) Describe the two types of securities which are offered by companies to lenders for their borrowings. **[6 marks]**
- c) In order to guarantee successful management of a limited company, there must be proper corporate governance. Explain the principles of corporate governance. **[6 marks]**

**QUESTION THREE (20 MARKS)**

In a public limited company, the shareholders are required by law to meet regularly.

- a) Describe the two major requisites for a valid meeting. [6 marks]
- b) Describe any two types of shareholders meetings'. [6 marks]
- c) Explain the role of the company secretary in corporate governance. [8 marks]

**QUESTION FOUR (20 MARKS)**

Under the companies' law, each company must maintain three registers.

- a) Describe each one of the three registers. [9 marks]
- b) Explain the concept of the rule of law. [5 marks]
- c) Describe any three sources of Kenyan law. [6 marks]

**QUESTION FIVE (20 MARKS)**

Every year, shareholders of limited companies expect to be paid dividends for their investments.

- a) Explain the procedure of declaring and payment of dividends. [7 marks]
- b) Define preference shares and explain the main difference between them and ordinary shares. [7 marks]
- c) Explain the difference between a shareholder and a promoter of a company. [6 marks]