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UNIVERSITY EXAMINATIONS 2024/2025

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION, BACHELOR OF EDUCATION ARTS AND THIRD YEAR FIRST SEMESTER BACHELOR OF HUMAN RESOURCE MANAGEMENT AND BACHELOR OF COMMERCE

BFC 3400: COMPANY LAW

DATE: JANUARY 2025

TIME: 2 HOURS

INSTRUCTIONS: Answer Question ONE and any other TWO questions.

QUESTION ONE (30 MARKS)

- a) Explain the main characteristics of a chartered company (6 marks)
- b) Explain the following term as used in company law;
The Doctrine of "Constructive notice (2 marks)
- c) Clearly explain four disadvantages that accrue from the appointment of a receiver. (8marks)
- d) Explain the four main functions of the annual general meeting (8 marks)
- e) In the absence of other provisions in a company's articles, explain how the directors of the company would be appointed? (6 marks)

QUESTION TWO (20 MARKS)

- a) A company may, by special resolution alter the provisions of its memorandum with respect to its objects. Explain the various reasons for which the company can alter its objective clause. (12 marks)
- b) Kioko, an Under Secretary in the Ministry of Viwandani was entrusted with the responsibility of selling the Ministry's boarded motor vehicles. He invited bids from

members of the public to buy two lorries. He also bid, through a nominee. Mwangangi, his own brother.

Subsequently, he sold the lorries to Mwangangi, at Sh.80,000 each. Kioko then formed Kima Company Ltd and instructed Mwangangi to sell the lorries to the company at Sh.350,000 each. A prospectus was issued to the public to subscribe for shares to Kima Company Ltd. The prospectus gave Mwangangi as the vendor of the lorries and did not disclose the profit Kioko was making. Musembi, a shareholder of the company has learnt of the sale of the lorries to the company and the profit Kioko made and seeks your advice on the company's rights in respect of the same.

Advise Musembi. (8 marks)

QUESTION THREE (20 MARKS)

- a) The promoters of a proposed company have freedom to choose its name but the freedom is limited by s. 19(2) of the Act which provides that a proposed name must not, in the opinion of the registrar, be undesirable. Clearly explain the various instances under which a proposed name is regarded as undesirable. (12 marks)
- b) Explain the exceptions to the rule in **Sharp vs. Dawes** (8 marks)

QUESTION FOUR (20 MARKS)

- a) A general meeting of shareholders is said to be valid when it is properly convened. Explain the essentials of a valid meeting (8 marks)
- b) A company may be wound up on a compulsory ground or by the court. Explain these grounds. (12 marks)

QUESTION FIVE (20 MARKS)

Martha is engaged in the promotion of a company. She seeks your advice on several matters relating to the formation of a company. You are required to advise her on the following matters:

- a) The restrictions upon the choice of a corporate name with which a promoter must comply. (8 marks)
- b) The legal duties of a promoter with regard to her responsibility where she sells her own property to the company she is promoting. (6 marks)
- c) The promoter's right to payment for her services by the company after incorporation. (6 marks)

