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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 13th December, 2022
Time: 8.30am –10.30am

KBA 424 - COMPANY LAW

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Read the case below and answer the questions that follow:

The Case of Grace and Janet

Grace and Janet have been running a partnership business since 2002. The business has been growing so well and they feel that they should graduate it into a company, which will be registered in Kenya. The proposed name of the company is “Kenya Best Manufactures Limited.” They have high prospects of profitability given the way the business has been performing in the past. The two intend to widen their membership as they are looking forward towards having a Public Limited Liability Company. As a way of starting, the two have approached you as a business consultant to give them advise on a number of aspects of forming and registering a company. The estimated initial capital required to start the company is at Ksh. 5 million.

Required:

- a) List any three advantages that will be realized as a result of operating the business as a registered company compared to a partnership. (6 Marks)
- b) Describe any two documents that will be required before registering the company. (4 Marks)
- c) From the case, the two partners intend to widen the membership of the intended company. Highlight three ways in which one can become a member of such a company. (6 Marks)
- d) The company might find it necessary to alter their capital after some time. Describe any three ways in which they can do this. (6 Marks)
- e)
 - i) Explain any three implications of pre-incorporation contracts for Kenya Best Manufacturing. (6 Marks)
 - ii) Grace and Janet are the promoters of Kenya Best Manufacturers Limited. Identify any one role they are expected to play during the formation of the company. (2 Marks)

QUESTION TWO (20 MARKS)

- a) A company is required to appoint an auditor during its annual general meeting. Discuss any four reasons that can lead to the disqualification of a potential auditor. (8 Marks)
- b) Explain any two components of the Articles of Association of a company. (4 Marks)
- c) Identify any four legal consequences of a company's incorporation. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Based on your understanding of company meetings: -
 - i) State any four objectives of holding the annual general meetings. (4 Marks)
 - ii) Explain the difference between 'voting by hand' and 'voting by poll' (4 Marks)
- b) Discuss the circumstances under which a member of a company may not enjoy the protection enshrined in the Limited Liability status. (8 Marks)
- c) Define the term "share capital" (2 Marks)

QUESTION FOUR (20 MARKS)

- a) A company may find it necessary to undergo corporate restructuring. Identify and explain any three reasons that may bring about such a necessity. (6 Marks)
- b) Discuss any two roles of:
 - i) A company secretary (4 Marks)
 - ii) A company's director (4 Marks)
- c) Examine any three powers of a receiver of a company. (6 Marks)

QUESTION FIVE (20 MARKS)

- a) Describe the role of the Capital Markets Authority. (6 Marks)
- b) You have been tasked with the drafting of the Memorandum of Association of XYZ Company LTD. Explain any four components (Clauses) that you will be required to include. (8 Marks)
- c) Discuss any three challenges that may contribute to a company's failure to comply with the regulations enshrined in the Companies Act. (6 Marks)