



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

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

Date: 1st August, 2022
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)

The shares of Horizons Limited, a private company are held Jane, John and Alex. Jane and John hold 90% of the company's shares. However, they feel that the company is in need of further capital but due to squabbles, they are not willing to inject additional funds as long as Alex still holds some shares in the company. Further, Jane and John believe that Alex has another business which is competing with that of Horizons Limited. To resolve the problems, Jane and John propose to alter the company's articles of association adding two new articles. The first article will enable the shareholders of 90% of the company's shares to compulsorily acquire the shares of the minority shareholder. The second article will require any shareholder who carries on competing business with the company's business to transfer his shares to the nominee of the directors. Alex is aggrieved the proposed alterations and comes to you for advice.

Required:

- a) Advise Alex on the validity of the proposed alterations to the articles. (10 marks)
- b) Jane, John and Alex are the initial directors of Horizons Limited. State the rights and duties of directors of a company. (4 marks)
- c) Explain to Alex the different classification of shares. (6 marks)
- d) Discuss two instances when the High Court might rectify the register of members of a company. (10 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss the power of the office of the attorney-general (OAG) in the appointment of an investigator of company affairs and ownership. (10 Marks)
- b) Examine five ways in which a company might alter its share capital. (10 Marks)

QUESTION THREE (20 MARKS)

- a) With specific reference to Directors, summarize five provisions of the Companies Act in Kenya which govern the removal of a director from office before the expiry of his term. (10 Marks)
- b) Discuss three remedies available to a company whose auditor has been negligent. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) A company is a legal person and is distinct from its members. This principle is regarded as a curtain, a veil or shield between the company and its members. This veil can be lifted by the courts and statutes. Describe the circumstances for lifting the by the courts and by the statutes. (10 Marks)
- b) In relation to transfer and transmission of shares, describe four effects of a share transfer. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Joanne wishes to register a business enterprise but she knows very little about business associations. She mulls over various choices including partnerships, sole proprietorships and limited companies. Joanne is unable to make up her mind on the type of business to establish and seeks your advice. Required:

Advise Joanne on advantages of sole proprietorships over the other forms of business structures. (10 Marks)
- b) Outline to Joanne why a partnership may not be the best choice for her. (10 Marks)