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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
SECOND YEAR, SECOND SEMESTER EXAMINATION
FOR THE DIPLOMA IN ACCOUNTING

Date: 14th August, 2024
Time: 11.30am – 1.30pm

DBA 1118 COMPANY LAW

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

BUSINESS EXPANSION INTO NEW MARKETS

Timiza Farms Company limited is a public company registered in Nairobi involved in the marketing and sale of tea to China. It also serves the local market. The quality agricultural produce it markets, is sourced from small scale farmers in Kenya. Recently the business has witnessed increased demands for coffee by its current customers in the Chinese market and the management are thinking of expanding into the coffee market. However, the company is limited to marketing and sale of tea and tea related products in its memorandum. Also, the company is faced with limitation of capital which is needed for the expansion. This is because their authorized capital is limited as per their memorandum of association. Therefore, the board of directors resolved on the option of altering the memorandum to increase their authorized share capital so as to sell additional new shares. A resolution will also be required to allow the company to market and sell coffee. All these actions will require calling a general meeting of members so that they can deliberate and pass a resolution on increasing its authorised share capital and allow the company to market and sell coffee. If the company goes on and sells shares to the public without a resolution being passed by the shareholders' then this action will be deemed ultra vires.

- a) The memorandum of association is a key document in the constitution of a company which contains key clauses relating to the company. Discuss the contents of the memorandum of association. (6 Marks)
- b) The doctrine of ultra vires prohibits management of the company from marketing and selling coffee as this not allowed in the company's memorandum of association. Explain the doctrine of Ultra Vires. (2 Marks)
- c) The directors of the company play a major role in in the management of company affairs. Explain the duties of directors in a company. (6 Marks)
- d) In order to fund the expansion into the European market the company needs to raise capital. Discuss two ways in which a company may raise capital. (4 Marks)
- e) For the members of the company to deliberate on changing their memorandum they need to hold a meeting. Describe the requirements for holding a company meeting. (4 Marks)
- f) In order to alter its memorandum members of the company need to pass a resolution in a meeting. Discuss two types of resolutions that are passed in a company meeting. (4 Marks)
- g) Explain the ruling of the Salomon Vs Salomon Company Limited and its effect on the concept of legal personality of a company. (4 Marks)

QUESTION TWO (20 MARKS)

- a) In order for a company to operate its business in Kenya it is required to be registered by the government. This involved a number of steps. Explain the steps involved in process of incorporation of a foreign company in Kenya. (5 Marks)
- b) A director is normally required to vacate their position in a company if they are found to be unfit to hold this position for several reasons. Discuss the reasons for disqualification of a company director from office. (5 Marks).
- c) Upon appointment of as a company secretary one is required to undertake several duties. Explain the duties of a company secretary. (5 Marks)
- d) Before a company is wound up there are several alternatives that can be used to prevent the ceasing of a company's operations. Explain the alternatives to winding up of a company. (5 Marks)

QUESTION THREE (20 MARKS)

- a) In order to raise capital for growth and expansion companies sell shares to the public. Explain the various types of share capital used by companies to raise funds for expansion. (5 Marks)
- b) As forms of raising capital by a company debentures and shares have several distinguishing features. Differentiate between a debenture and a share. (6 Marks)
- c) Under the Company Act companies are required to prepare various books of account on an annual basis. Describe the main types of books of accounts that companies are required to prepare on a yearly basis. (4 Marks)
- d) In inspecting the membership of a company an inspector is charged with several duties. Explain the duties of the company inspector. (5 Marks)

QUESTION FOUR (20 MARKS)

- a) In order for one to be viewed as a member of a company and enjoy the benefits of being a member, they must be entered in the company's register of members. Describe the contents of a register of members. (5 Marks)
- b) A person acquires membership in a company in various ways. Discuss the ways in which a person becomes a member of a company. (5 Marks)
- c) In conducting an audit of the books of accounts of a company, auditors have certain rights which enable them to conduct their duties efficiently. Describe the rights and duties of a company auditor. (5 Marks)
- d) When a foreign company wants to be registered in Kenya it is required to provide certain documents. Explain the type of documents required from a foreign company which wants to be registered in Kenya. (5 Marks)

QUESTION FIVE (20 MARKS)

- a) In transferring the shares of a company several steps are followed. Outline the steps involved in the process transfer of shares in a company. (4 Marks)
- b) Companies usually conduct meetings on a regular basis. These meetings aim to keep their members informed about the operations of the company. Explain the three types of meetings held by registered companies. (6 Marks)
- c) Winding up of a company means that it is ceasing its operations and it involves two main ways of winding up. Discuss the two forms of winding up of a company. (4 Marks)
- d) As forms of business ownership sole proprietorships and companies have key distinguishing features. Differentiate between a sole proprietorship and a company. (6 Marks)