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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)

Date: 14th April, 2022
Time: 2.30pm –4.30pm

KBA 424 - COMPANY LAW

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

The Board of Guava Ltd, a large manufacturing company, decided to set up an internal control and audit functions. The proposal was to appoint an internal auditor at mid-management level and also to establish a board level internal audit committee made up mainly of non-executive directors. The initiative to do so was driven by a recent period of rapid growth of the organization. The Board decided that the increased size and complexity of its operations created the need for greater control over internal activities and that an internal audit function was a good way forward. The need was highlighted by a recent event where internal quality standards were not enforced, resulting in the stoppage of a production line for several hours. The finance director Mr. Kumar said that there were problems with internal control in a number of areas of the company's operations and that there was a great need for internal audit.

Further, he said that as the head of the company's accounting and finance function, the new internal auditor should report to him. The reasons for this, he said, were because as an accountant, he was already familiar with auditing procedure and the fact that he already had information on budgets and other 'control' information that the internal auditor would need. It was decided that the new internal auditor need to be a person of some experience and with tough personality not to be intimidated nor diverted by other department heads who might find the internal audits an inconvenience.

One issue the Board had was whether it would be better to recruit to the position from inside or outside the company. Another issue was over the limits of authority that the internal auditor might be given. It was pointed out that while the board considered the role of internal audit to be very important, it didn't want it to interfere with the activities of other departments to the point where their operational effectiveness was reduced. Mr. Kamlesh on the contrary was of the opinion that the company need to disengage the current external auditor because the firm was not advising the company on how they should handle their daily accounting functions and accounting records for easy control and monitoring of the financial performance of the company.

Required:

- a) Assuming that Guava Ltd is a private company limited by shares, name the registration document that should have guided the board of Guava Ltd and highlight its content. (6 Marks)
- b) Though Guava Ltd has experienced recent period of rapid growth as an organization. Outline the effects of the doctrine that will limit them in adding more business activities or products (6 Marks)
- c) List the duties of Guava Ltd Chairman that should help the organization come to an agreement. (6 Marks)
- d) Enlighten the directors of Guava Ltd on the matters to be stated in an Auditor's report. (6 marks)
- e) Suppose the directors of Guava Ltd fail to agree and it becomes apparent that the company be put to an end. Describe the procedure that members can voluntarily winding up a company. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Discuss the documents required to be presented to the registrar of companies so that a foreign company can establish business in Kenya. (14 Marks)
- b) Explain the fiduciary duties of a promoter. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Describe the types of content to be stated in an annual return of a company. (14 Marks)
- b) Summarize the types of persons who are disqualified from acting as company secretary. (6 Marks)

QUESTION FOUR (20 MARKS)

- a) Describe the powers and duties of the official receiver in the capacity as a corporation sole. (10 Marks)
- b) Outline the purpose of holding company general meetings. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the different types of shares. (10 Marks)
- b) Examine the difference between “debentures” and “shares” . (10 Marks)