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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**THIRD YEAR, SECOND SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF SCIENCE**  
**(BUSINESS ADMINISTRATION)**

Date: 17<sup>th</sup> April, 2023  
Time: 11.30am – 1.30pm

**KAC 305 - BANKRUPTCY AND RE-ORGANIZATION**

**INSTRUCTIONS TO CANDIDATES**

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**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE (30 MARKS)**

**CASE STUDY OF NAKUMATT HOLDINGS**

Nakumatt Holdings is a Kenyan supermarket chain. Until February 2017, Nakumatt was regarded as the largest Kenyan retailer, with 62 branches across the region, (45 in Kenya, 9 in Uganda, 5 in Tanzania and 3 in Rwanda) and a gross turnover of Kshs 52.2 bn. However, what was fueling Nakumatt's rapid expansion was funding through debt. This included short-term borrowings, bank loans and letters of credit to its numerous suppliers. However, due to a number of reasons, Nakumatt started experiencing serious cash-flow difficulties in 2016. The retailer was therefore unable to meet its financial obligations to landlords, its suppliers and employees. It was for these reasons that the administrator was appointed by an order of the court pursuant to an application filed by unsecured creditors, and Nakumatt Holdings was placed under administration in January 2018. PKF Consulting Limited (PKF) was appointed as Nakumatt Holdings' administrator. This was in order to assess the possibility that the company could be revived after a full assessment of the company, and for all creditors of Nakumatt to come forward and register their claims with the retailer.

Required; :

With reference to the above case study, answer the following questions:

- a) According to the case ,Identify five main roles of trustees. (10 marks)
- b) Explain two main reasons that may have led Nakumatt to enter into bankruptcy. (4 marks)
- c) Bankruptcy is a Legal proceeding initiated when a person or business is unable to repay outstanding debts or obligations. Explain five ways in which Nakumatt holdings could have been rescued from bankruptcy. (10 marks)
- d) Bankruptcy laws have provided for reduction or elimination of certain debts. Explain three reasons that has led to the rapid growth of bankruptcy laws. (6 marks)

## **QUESTION TWO (20 MARKS)**

- a) Explain five duties of official receiver as to debtor's estate. (5 marks)
- b) Identify the four solvency statement procedure in case of capital reduction by a company. (4 marks)
- c) Company restructuring is when a company changes its financial structure, which can involve selling assets, refinancing debt at lower interest rates, or even filing for bankruptcy. Explain seven reasons that leads to organization restructure. (7 marks)
- d) Briefly explain four duties of debtor as to discovery and realization of property. (4 marks)

## **QUESTION THREE (20 MARKS)**

- a) Discuss two ways of entering into bankruptcy. (4 marks)
- b) Illustrate three circumstances where a debtor can be arrested during bankruptcy process. (3 marks)
- c) Briefly outline the five main obligations of a bankrupt person. (5 marks)
- d) Identify three circumstances where a court may object appointment of trustee. (6 marks)
- e) Define the term 'bankruptcy'. (2 marks)

## **QUESTION FOUR (20 MARKS)**

- a) Define the following terms;
  - i) Deed of arrangement (2 marks)
  - ii) Scheme of arrangement (2 marks)
  - iii) Restructuring (2 marks)
- b) Secured creditors are categorized into two group. Identify and explain the two categories. (4 marks)
- c) Discuss cases where a debtor commits an act of bankruptcy. (5 marks)
- d) Identify the procedure in creditors petition. (5 marks)

## **QUESTION FIVE (20 MARKS)**

- a) Debts that are not extinguished are those that the bankrupt will still have to pay after the bankruptcy has ended. Identify four such debts. (4 marks)
- b) Differentiate between secured and unsecured debts. (4 marks)
- c) Discuss three effects of reorganization. (3 marks)
- d) Identify the priority in which the distribution of the property of a bankrupt shall be paid in bankruptcy. (6 marks)
- e) The court has the right to object appointment of a trustee. Describe the three main circumstances that may lead to objection. (3 marks)