



PIONEER INTERNATIONAL UNIVERSITY

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UNIVERSITY EXAMINATIONS

BACHELOR OF COMMERCE YEAR 4 SEMESTER 2

CLAW 3210: COMPANY LAW

DATE: APRIL 2022

TIME: 2 HOURS

INSTRUCTIONS: Answer Question **ONE** and Any other **TWO**

QUESTION ONE (30 MARKS)

- a) Explain the circumstances under which a company may be wound up by the court (compulsory liquidation) (10 Marks)
- b) Mrs. Mburu and Mrs. Simiyu intend to start a business in the tourism industry. Mrs. Mburu considers partnership the best form of business while Mrs. Simiyu prefers private company. Advise Mrs. Mburu and Mrs. Simiyu on the following: The advantages of registered company over a partnership. (5 Marks)
- c) Write short notes on the following:
- Corporation sole. (5 marks)
 - Unlimited company. (5 marks)
 - Company limited by Guarantee (5 marks)

QUESTION TWO (20 MARKS)

- a) Martha is engaged in the promotion of a company. She seeks your advice on several issues relating to the promotion of a company. You are required to advise her on the following matters:-
- The restrictions upon the choice of a corporate name with which the promoter must comply (8 Marks)
 - The legal duties of a promoter (6 Marks)
 - The promoter's rights to payments for her services by the company after incorporation (6 Marks)

QUESTION THREE (20 MARKS)

- a) Distinguish between Promoter and shareholder (4 Marks)
- b) The Company Act restricts a company from issuing shares at a discount. Identify and explain the restrictions (6 Marks)
- c) Moreno and his friends intend going into business, and intend to form a Public Company limited by shares. Explain the procedures that they must follow to ensure that the Company commences with the issue of a trading certificate. (10 Marks)

QUESTION FOUR (20 MARKS)

a) Mwangi, Obonyo and Mutua are directors of Modern Technology Company Ltd. The company was formed with the main object of computer training. However, due to power rationing the business has fallen below the expected productivity and is threatened with closure. In order to keep afloat the directors approached Town Bank Ltd for an overdraft of Kshs 2,000,000 to establish an off licence bar and restaurant within the city centre. The bank director approved the overdraft facility. However, the company has run into financial difficulties and is unable to repay the loan. Advise Town Bank Ltd on its ability to recover the loan.

(8 Marks)

b) The articles of Ujuzi Ltd, a private company limited by shares contain a “pre-emptive” clause. Explain the meaning of a pre-emptive clause in the context and the reason why such a provision may be used.

(6 Marks)

c) What is the effect of Ultra Vires transactions under the Company Law?

(6 Marks)