

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY EXAMINATION 2012/2013

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR DEGREE OF BACHELOR OF
BUSINESS ADMINISTRATION WITH IT**

ABA 302: COMPANY LAW

QUESTION ONE (COMPULSORY)

- (a) Explain the procedure of forming a private company which is limited by shares **(10 marks)**
- (b) Otieno and his nine friends wish to have a company registered. They come to you for an advice regarding the memorandum of association. Explain to them the major contents of the memorandum of association **(10 marks)**
- (c) Mwangi has been induced to buy shares in the Makaa Co. Ltd on the faith of a statement in a prospectus that is untrue. What remedies are available to Mwangi against:
- i) Makaa Co. Ltd **(5 marks)**
 - ii) The directors and promoters of the company? **(5 marks)**

Total: 30 marks

QUESTION TWO

- (a) Discuss three types of companies **(6 marks)**
- (b) Your client, a group of twenty farmers, wish to incorporate themselves as a company limited by shares. The company's main objective will be growing and exporting of horticultural crops. They seek your advise on the following:
- I) What problems, if any, they will encounter if they should wish to bring further members into the company; **(5 marks)**
 - II) Whether it will be possible to prevent a member from selling his shares to an outsider without the consent of the rest of the groups; **(5 marks)**
 - III) The extent to which the company's finances and membership must become public knowledge; **(4 marks)**

Total: 20 marks

QUESTION THREE

- (a) Explain the remedies which are available to an ultra vires lender (3 marks)
- (b) Explain the regulations governing the appointment, disqualification and removal of directors (10 marks)
- (c) Compare the auditors duties to the company which has appointed him with his duties to prospective investors in that company (7 marks)

Total 20 marks

QUESTION FOUR

- (a) What advantages that a company enjoy in securing its debentures by way of a floating charge? (4 marks)
- (b) What are the rules relating to priority of charges? (6 marks)
- (c) In what circumstances will a floating charge 'crystallise'? (4 marks)
- (d) What provisions ought to be included in a debenture trust deed for the benefit of a creditor who is to lend money to a company on the security of a floating charge?

(6 marks)

Total: 20 marks

QUESTION FIVE

In the context of voluntary winding up, explain the statutory provisions regarding the powers of the liquidator which may be exercisable:

- i) With the court sanction (10 marks)
- ii) Without the court sanction (10 marks)

Total: 20 marks