



KIBABII UNIVERSITY COLLEGE (KIBUCO)

MAIN CAMPUS

**UNIVERSITY EXAMINATIONS
2014 /2015 ACADEMIC YEAR**

FOURTH YEAR FIRST SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCB 403

COURSE TITLE: COMPANY LAW

DATE: 8TH DECEMBER, 2014

TIME: 9.00-11.00 A.M

INSTRUCTIONS TO CANDIDATES:

Answer Question ONE and any other Two Questions

TIME: 2 Hours

SECTION A COMPULSORY

QUESTION ONE

- a) In the course of delivering his judgement in Solomon and Company limited (1897), Lord Halsbury stated that “once the company is incorporated, it must be treated like any other independent person with rights and liabilities appropriate to itself”. Discuss legal/practical consequences of incorporation. (12 marks)
- b) A memorandum of association of a company must state the objects of the company. With reference to the above statement, define memorandum of association and briefly outline three types of object clauses that might be enshrined in memorandum. (8 marks)
- c) Discuss five ways in which a person may cease to be a member of a company. (10 marks)

SECTION B

Answer any two questions

QUESTION TWO

- a) Explain the legal effect under which a company may alter its articles of association. (10 marks)
- b) The company’s act states that no person shall be qualified for appointment as an auditor of the company unless he is a member of a body of accountants. Discuss conditions that auditor must meet before being allowed to practice. (10 marks)

QUESTION THREE

- a) A promoter is not entitled to remuneration for incorporating a company nor is he entitled to recover the expenses incurred in the process because there is no contractual relationship between him and the company. Discuss ways in which promoters may be remunerated. (10 marks)
- b) Section 40 (1) of the companies Act requires a prospectus to contain matters specified in part 1 of the third schedule. Explain these matters as outlines in the Third Schedule. (10 marks)

QUESTION FOUR

- a) The doctrine of indoor management argues that outsiders dealing with the company are entitled to assume that everything had been regularly done so far as its internal proceedings are concerned. With reference to the rule Kenya British Bank vs. Turquand (1856), discuss the statement highlighting exceptions thereof. (11 marks)
- b) A meeting reaches a decision by passing a resolution. Discuss three kinds of resolutions (6 marks)

QUESTION FIVE

- a) Explain the rule in Foss V Harbottle and its exceptions (10 marks)
- b) Section 112 (1) requires every company to keep a register of its members and prescribes the contents of the register. Highlight the contents of the register of members. (10 marks)