



## MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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### University Examinations 2015/2016

FOURTH YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF  
COMMERCE  
AND  
THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF  
COMMERCE

### HBC 2201: COMPANY LAW/BFB 3400 COMPANY LAW

DATE: NOVEMBER 2015

TIME: 2HOURS

INSTRUCTIONS: *Answer question one and any other two questions*

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#### QUESTION ONE (30 MARKS)

- What legal consequences of registration of a company are as stipulated under the companies Act, Cap.486? (5 Marks)
- Explain the similarities and differences between a company registered under Companies Act and a corporation created by a specific Act of parliament. (12 Marks)
- Under what circumstances may a company be deemed to be a subsidiary of another company? (8 Marks)
- A who was promoting a company which had not then been registered, made a contract on behalf of the unregistered company with B. After the company had been registered, it attempted to ratify the

contract. Later the company due to its insolvency went into liquidation. B went to court to enforce the contract between him and A said it was the company which was liable. Decide (5 Marks)

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

- a) "A promoter is not a trustee or an agent of the company but he stands in a fiduciary position towards it". Discuss this statement. (10 Marks)
- b) Explain the circumstances in which the separate legal existence of a company will be modified or is disregarded by statute under the provision of the companies Act (Cap. 486) (10 Marks)

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

- a) Explain the following in relation to company law
- i) Companies Ltd by shares (2 Marks)
  - ii) Companies Ltd by guarantee (2 Marks)
  - iii) Subsidiary companies (2 Marks)
  - iv) One man company (2 Marks)
  - v) Statutory report (2 Marks)
- b) Explain the Rule in Royal British Bank vs Turquand, What are the exceptions to this rule? (10 Marks)

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

- a) Briefly explain the main features of the following types of resolutions which may be passed at a general meeting of a company
- i) An ordinary resolution (3 Marks)
  - ii) An extraordinary resolution (3 Marks)
  - iii) A special resolution (3 Marks)
- b) Explain the circumstances under which a company will be compelled to call an extraordinary general meeting. (11 Marks)

**QUESTION FIVE (20 MARKS)**

- a) With respect to acquisition of membership in a company, explain;
- i) Ways in which a person may acquire Membership of a Company. (6 Marks)
  - ii) Ways in which such membership is lost or terminate. (6 Marks)
- b) Section 22 of the Companies Act (Cap. 486) provides as follows;
- “Subject to provisions of this Act, the memorandum and articles shall when registered bind the company and its members thereof to the same extent as if they had respectively been signed and sealed by each member and contained covenants on the part of each member to observe all the provisions of the memorandum and of the articles:.
- Explain the effect of this section of the Act on;
- i) Rights of a member against other members (4 Marks)
  - ii) Rights of a member under the Article. (4 Marks)