

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# **UNIVERSITY EXAMINATIONS 2014/2015**

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE [MARKETING OPTION]**

**HBC 2201 : COMPANY LAW**

**DATE: AUGUST 2014 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS. DO NOT WRITE ANYTHING ON THE QUESTION PAPER.**

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**QUESTION ONE [COMPULSORY][40 MARKS]**

1. The Promoters of a company incorporated on 9th of April 2014, had entered into a contract with Moseti on 8th of march 2014 for the supply of certain goods. After incorporation, the company does not wish to proceed with the contract. As a company secretary, advise the management of our company what position to take.
2. The memorandum of association of a company was signed by two adult members and by a guardian of the other five members, the guardian signing separately for each member. The Registrar of company registered the company and issued under his hand a certificate of incorporation. The plaintiff contended that conditions of registration were not duly complied with and that there were no seven subscribers to the memorandum. Decide.
3. A promoter signed a circular inviting subscriptions for shares in a company which stated that about one-third of the capital had already been subscribe in United Kingdom. In fact, a third of the capital had been subscribed but not in cash. The promoter, however believed honestly that the statement was true. Peter subscribed on the faith of the circular and the company became insolvent after sometime. Peter sued the promoter for fraud . Decide.
4. Abel allows his name, apart from any agreement to become a member to appear in the regist4er of members. He also holds himself out as a member of the company. The company goes into liquidation and his name is put on the list of contributions. He now seeks to avoid liability. Advice him.
5. Majaribu Co. Ltd. a cotton textile company, enters into a contract with Annold co. Ltd, an adjacent cotton textile mill, to supply electricity from their power generation plant. After suppliers have been make for 3 months, it is discovered that this activity is beyond the scope of the objects clause of the memorandum of association of Majaribu Co. Ltd. Shareholders of Annold Co. Ltd which refuses to make payment on the ground that the contract is wholly null and void be legally compelled to make payment?

**QUESTION TWO**

Distinguish between a private and a public company [20 marks]

**QUESTION THREE**

1. Using relevant case law explain what is meant by a separate legal entity of a

company. [14 marks]

1. “ A promoter stands in a fiduciary relation towards the company he promote. [6 marks]

**QUESTION FOUR**

1. Explain when it is just and equitable to wind up a company. [10 marks]
2. Explain the rules applicable to payment of dividends [10 marks]

**QUESTION FIVE**

1. Distinguish between a memorandum of association and articles of association. [10 marks]
2. Explain the duties of directors of a company. [10 marks]