



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY – AUGUST 2023 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 402

COURSE TITLE: COMPANY LAW

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

SECTION A: COMPULSORY

Question One

Promotion is regarded as the first stage in the formation of a company. It begins when a promoter discovers an idea regarding some business which can be profitably undertaken;

a) In reference to the information above, discuss the four main steps involved in promotion.

[12 marks]

b) Elaborate the demerits of incorporation.

[8 marks]

The auditor is the servant of the shareholders and his duty is to examine the affairs of the company on their behalf and at the end of the year report to them what he has found;

c) From the information above, discuss the duties of auditors.

[12 marks]

d) Explain how the auditors of public companies are removed from office.

[8 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

The memorandum of association lays down the scope of activities of the company and also defines the relationship of the company with the outside world;

a) In light of the information above, discuss the six clauses of the memorandum of association.

[12 marks]

b) A company must not engage in activities which are not expressly or impliedly unauthorised by the memorandum, otherwise any act which exceeds the powers of the company will be ultra vires and void. In relation to this statement, elaborate the effects of ultra vires transactions.

[8 marks]

b)

Question three

According to the company's act, a public company having privately arranged for its capital subscription need not issue a prospectus, but in that event a statement in lieu of prospectus must be filed with the registrar before any allotment of any shares or debentures can be made;

- a) In reference to the statement above, discuss the contents in lieu of prospectus **[12 marks]**
- b) Explain the reports that are to be set out in the prospectus. **[8 marks]**

Question Four

A company meeting is the coming together of at least a quorum of members in order to transact either ordinary or special business of the company;

- a) In light of the information above, discuss the requisites of a valid meeting. **[12 marks]**
- b) Elaborate the duties of a chairman of a general meeting. **[8 marks]**

Question five

Debentures may be issued either secured or unsecured by a charge on the property of the company;

- a) In relation to the above statement, differentiate between fixed and floating charges. **[8 marks]**
- b) Explain the circumstances that lead to crystallisation of a floating charge. **[12 marks]**

... etc. ...