



# **GRETSA UNIVERSITY - THIKA**

## **UNIVERSITY EXAMINATIONS JANUARY-APRIL 2025 SEMESTER**

### **BACHELOR OF COMMERCE**

**COURSE CODE:** BCAC 402

**COURSE TITLE:** COMPANY LAW

**DATE:** 2025

**TIME:**

#### **INSTRUCTIONS TO CANDIDATES**

- a) SECTION A IS **COMPULSORY**.
- b) SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
- c) **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
- d) 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**

In relation to company law:

- a) Explain the meaning of the term “Promoter”. **[2 marks]**
- b) Explain four duties of a promoter **[6 marks]**
- c) Discuss the rules that govern pre-incorporation contracts. **[8 marks]**
- d) Explain three types of debentures that a company can issue **[6 marks]**
- e) Hopeful, a private limited company has adopted Table A as its Articles of Association. The company now, wishes to alter the Articles of Association. Outline the procedure to be followed to effect the change **[8 marks]**

## **SECTION B: ANSWER ANY THREE QUESTIONS**

### **Question Two**

- a) Wafula, one of the Directors of Hopeful Co. Ltd is unsure of his duty of care and skill as a director of the company. He seeks your advice on this. Advise him. **[10 marks]**
- b) Explain the Statutory and Common Law Rules that govern raising and maintenance of share capital of a company. **[10 marks]**

### **Question three**

- a) Define the term „prospectus“ and explain the circumstances under which a company may issue a prospectus. **[10 marks]**
- b) Highlight the requirements to be met before a notice of meeting served on members can be held to be valid. **[10 marks]**

### **Question Four**

The rule in Foss v Harbottle establishes the principle that where a wrong is done to the company, the proper plaintiff is the company itself. However, where the wrong is done by the company directors, it may be impossible for the company to sue. In such a case, a derivative action may be the only option.

a) Explain what is meant by “derivative action”. **[10 Marks]**

b) Describe the conditions that must be satisfied before a derivative suit can be instituted

**[10 Marks]**

### **Question 5**

a) Distinguish a Fixed Charge from a Floating Charge. **[6 Marks]**

b) The directors of Alumasi Co. Ltd borrowed Shs.20 million from Maendeleo Bank. The Bank was informed that the money was intended to be used to expand the company’s horticultural business. The bank however, did not ask for the company’s Memorandum of Association and lent the money. The money was spent for purposes not intended. These facts have come to light and Maendeleo Bank seeks your advice on whether the bank can successfully recover the money.

Advise the bank.

**[8 Marks]**

c) Explain the legal rules that govern the appointment of an Administrative Receiver by a holder of a floating charge. **[6 Marks]**