



MUEO

MOI UNIVERSITY

OFFICE OF THE DEPUTY VICE CHANCELLOR
(ACADEMICS, RESEARCH, EXTENSION & STUDENT AFFAIRS)

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER EXAMINATION

FOR THE DEGREE OF

BACHELOR

OF

BUSINESS MANAGEMENT

COURSE CODE: BBM 400

COURSE TITLE: COMPANY LAW

DATE: 13TH APRIL, 2023 **TIME:** 9.00 A.M. – 12.00 NOON.

INSTRUCTION TO CANDIDATES

- SEE INSIDE.

THIS PAPER CONSISTS OF (2) PRINTED PAGES

PLEASE TURN OVER

BBM 400: COMPANY LAW

MAIN EXAMINATION

INSTRUCTIONS TO CANDIDATES

Answer Any **FOUR** Questions. All Questions carry Equal Marks.

QUESTION ONE

- (a) The law and also statutory provisions have provided justifications for ignoring the fundamental principle of legal personality of a company through the so called “Doctrine of lifting the corporate veil”. Discuss this statement explaining ways in which a corporate veil may be lifted. (12 Marks)
- (b) Discuss the limitation of the powers to alter the Articles of Association of a company as provided by the Companies Act. (5 Marks)
- (c) Distinguish between a “Prospectus” and a ‘Statement in Lieu of Prospectus’. Under what circumstances must the latter be delivered to the registrar and what information does it disclose? (8 Marks)

(Total: 25marks)

QUESTION TWO

- (a) Discuss the “Doctrine of ultra vires” with regard to the objects of a company and state using decided cases the effect of an ultra vires transaction (6Marks)
- (b) Explain and illustrate with at least two decided cases the role of a promoter with regard to a Company with regard to its formation and payments of his remuneration.(7 Marks)
- (c) With the help of *KELNER v. BAXTER RULE* (1866), explain whether a company can be bound by a contract made on its behalf before it is incorporated. What is the position of a third party to a pre-incorporation contract and how are promoters relieved of their liability on such a contract? (12 Marks)

(Total: 15marks)

QUESTION THREE

- (a) Explain what is meant by the term “Company Lien” and the rights that can be exercised by the company on it. (5 Marks)
- (b) With respect to acquisition of membership in a company, explain:
 - (i) Membership rights of some categories of persons who can be members of a company. (6 Marks)
 - (ii) Ways in which such membership is lost or terminated (6 Marks)
- (c) In relation to company meetings, explain what is meant by the “rule in *Sharp vs. Dawes*”? What are the exceptions to this rule? (8 Marks)

(Total: 15marks)

QUESTION FOUR

- (a) In relation to company securities, what is meant by:
- (i) A floating charge (3 Marks)
 - (ii) Crystallization of a floating charge (5 Marks)
 - (iii) A negative pledge clause (3 Marks)
- (b) Explain the provisions of the Companies Act relating to registration of charges. (6 Marks)
- (c) Summarise the legal rules relating to the payment of the company dividends. (8 Marks)
- (Total: 15marks)**

QUESTION FIVE

- (a) Discuss the statutory powers conferred to the shareholders by the Companies Act 2015. (6 Marks)
- (b) The directors of a company are not personally liable as agents of a company. However, there are circumstances under which they can be held liable. Explain. (6 Marks)
- (c) Discuss the statutory provisions by the Companies Act relating to disqualification of a company director. (13 Marks)
- (Total: 15marks)**

QUESTION SIX

- (a) Describe the circumstances in which an investigation may be commenced into the affairs of a registered company by:
- (i) The Registrar (6 Marks)
 - (ii) The High Court (6 Marks)
- (b) Explain the contents of the inspector's report. (6 Marks)
- (c) What are the consequences of a winding up order on a company? (7 Marks)
- (Total: 15marks)**

****END****