



KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BBA 401: COMPANY LAW

DATE: Tuesday, 29th November, 2011

TIME: 2.00p.m. – 4.00p.m.

INSTRUCTIONS:

Answer Question **One** and any other **TWO** Questions.

Q.1) In 2010 Mr. and Mrs. Pip registered a company Pip Ltd whose only object was to operate a public transport business.

Mr. Pip took 99 shares in the company and Mrs. Pip took share bringing to the total issued shares to 100.

In May 2011, a bus owned by the company was involved in an accident where several people were injured.

Pip and Mrs. Pip are afraid that the assets of the company may not be adequate to meet the demands that request are given by the court.

Moreover, Pip, as the director of the company had borrowed Kshs.5 million from Bidii Bank. 1 million of that money had been used to finance a holiday for himself and his wife.

The rest had been used to purchase a plot of land for the company which it was hoped the company would sell at a later date and make some profit.

It also appears that much of the profit made by the company had been appropriated by Pip without going through the procedure of declaring a dividend.

Discuss the legal consequences arising from the above facts. (30 marks)

Q.2) (i) Critically examine the rights of a shareholder. (10 marks)

(ii) What are the contents of a company's memorandum of Association. (10 marks)

Q.3) (i) Discuss the duties of a director of a company to the company. (10 marks)

(ii) What remedies are available to the company where a director has breached his duty? (10 marks)

Q.4) Where a company has capital on the issue of its shares, such capital must be maintained and should not be returned to shareholders. Discuss. (20 marks)

Q.5) Write short notes on:

(a) Reasons for winding up of a company as provided for under the Companies Act. (13 marks)

(b) the persons entitled to apply for the winding up of a company. (7 marks)