

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 302: COMPANY LAW

STREAMS: BCOM (ODEL) Y3S2
DAY/DATE: TUESDAY 20/7/2021

TIME: 2 HOURS
8.30 A.M. – 10.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

(a) Can a company be bound by a contract made on its behalf before it is incorporated? What is the position of a third party and promoters to a pre-incorporation contract?

[5 marks]

(b) “A prospectus is a document of out most good faith”. Explain this statement analyzing the who bears liability in case of mis-statement of contents of a prospectus. [5 marks]

(c) The court has powers to order the compulsory winding up of a company, not only where the company is unable to pay its debts but also where the court considers that it is just and equitable for it to do so. Discuss the circumstances in which the court would exercise this power

[12 marks]

(d) Explain four advantages of incorporating a company [8 marks]

QUESTION TWO

(a) Explain the rule in foss vs harbottle, what are its exceptions? [10 marks]

(b) Explain who is a member, how once can be a member and not a shareholder in a company and vice versa. [10 marks]

QUESTION THREE

BCOM 302

- (a) Explain the circumstances in which the separate legal existence of a company will be modified or is disregarded by statute under the provision of the companies Act 2015. [10 marks]
- (b) Explain the contents of a company's memorandum of association [10 marks]

QUESTION FOUR

- (a) Explain the following in relation to company law
- (i) Companies ltd by shares [2 marks]
 - (ii) Companies ltd by guarantee [2 marks]
 - (iii) Subsidiary companies [2 marks]
 - (iv) Statutory company [2 marks]
 - (v) Statutory report [2 marks]
- (b) Explain the Rule in Royal British Bank vs Turquand, what are the exceptions to this rule? [10 marks]
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