

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS**

**RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF LAW**

**BLAW 216: LAW OF BUSINESS ASSOCIATIONS I**

**STREAMS: BLAW**

**TIME: 2 HOURS**

**DAY/DATE: FRIDAY 01/09/2023**

**2.30 P.M – 4.30 P.M.**

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**INSTRUCTIONS**

**Question ONE is COMPULSORY and answer any other two questions.**

**QUESTION 1**

Nakhungu is one of the directors of a leading private limited company. She lent the company money as a secured creditor. Meanwhile the company continued to borrow from other creditors in the course of its business. Shortly thereafter, the company run into financial difficulties and winding up proceedings were brought against it. The other creditors learnt that Nakhungu was to be paid in priority to the other creditors and protested against the same.

- a) Critically discuss, using relevant case law and provisions of the companies act No. 17 of 2015 whether or not Nakhungu is responsible to the other creditors (20 marks)
- b) Citing relevant provisions of the companies act No. 17 of 2015 and relevant case law, critically discuss the instances where the law ignores the corporate entity and goes behind the legal façade. (10 marks)

**QUESTION 2**

a) Relying on the relevant provisions of the companies act No. 17 of 2015 and relevant case law critically discuss how shareholders may use the general meeting to influence the affairs of the company:

- i) autonomously
  - ii) in relation to the directors (10 marks)
- b) Relying on relevant provisions of the companies act No. 17 of 2015 and relevant case law, critically discuss how a company in Kenya may be wound up. (10 marks)

**QUESTION 3**

- a) Relying on the relevant provisions of the companies act No. 17 of 2015 and relevant case law, critically discuss how a company and its agents can be held liable in respect of a prospectus. (10 marks)
- b) Critically discuss the duties a director has towards the company using relevant case law and provisions of the companies act No.17 of 2015. (10 marks)

**QUESTION 4**

- a) Critically discuss using case law and the relevant provisions of the companies act No. 17 of 2015 when the courts may lift the veil of incorporation on the grounds of fraud and improper conduct. (10 marks)
- b) Using relevant provisions of the companies act and relevant case law, critically discuss the extent to which members of a company are protected by the ultra vires doctrine. (10 marks)

**QUESTION 5**

Relying on the relevant provisions of the companies act No. 17 of 2015 and relevant case law, write elaborate notes on:

- a) Differences between a public company and a private company (5 marks)
- b) Crystallization of a floating charge (5 marks)
- c) Doctrine of indoor management (5 marks)
- d) Holding companies (5 marks)
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