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**SCHOOL OF ACCOUNTING AND BUSINESS
BSc. (APPLIED ACCOUNTING) GENERAL / SPECIAL DEGREE
PROGRAMME**

**YEAR II SEMESTER II
END SEMESTER EXAMINATION – APRIL 2015**

LAW 20225 Corporate Law

Date : 27th April 2015
Time : 9.00 a.m. - 11.30 a.m.
Duration : Two and half (02 ½) Hours

Instructions to Candidates:

- This paper consists of two parts. (Part I, II)
- Part I – Answer **ALL** questions in the separate sheet provided.
Part II – Answer **FIVE** questions out of ten.
- The total marks for the paper is 60.
- The marks for each question are shown in brackets.
- Answers should be written neatly and legibly.

Part I

Multiple Choice Questions. Underline the correct answer.

1. Articles of Association of a company can be amended only by;
 - a. Shareholders passing an ordinary resolution,
 - b. Board of directors passing a resolution,
 - c. Shareholders passing a special resolution,
 - d. Board of directors passing a resolution and Shareholders passing a special resolution.

2. If a company intends to be formed for promoting commerce, art, science, religion, charity, sports, or other useful objects and prohibits the payment of any dividend to its members, such a company be best be incorporated as a;
 - a. Private company,
 - b. Public company,
 - c. Public Listed company,
 - d. Guarantee company.

3. Value of a 'share' is determined by;
 - a. Shareholders at an annual general meeting;
 - b. The company's auditors;
 - c. Board of directors of a company;
 - d. Shareholders at an extra ordinary general meeting.

4. When a company enters into a 'major transaction', and some shareholders vote against the company entering into the major transaction, then those shareholders who voted against the resolution can;
 - a. request that the company to buy them out under the provisions of minority buy-out rights,
 - b. request the company to cancel the resolution approving the major transaction,
 - c. request the board of directors to call an extra ordinary general meeting,
 - d. request the company's auditor to give a report on the benefits of the major transaction.

5. Auditor of a company is appointed by;
 - a. Board of directors at a board meeting of the company,
 - b. The Registrar of Companies,
 - c. The board of directors of the company subject to approval of the shareholders of the company,
 - d. The shareholders of the company at an annual general meeting.

6. A public company shall have a minimum of
 - a. One director
 - b. Two directors
 - c. Three directors
 - d. Four directors.

7. The day to day management and supervision of the company's business affairs is entrusted to the;
 - a. Shareholders of the company,
 - b. Auditors of the company,
 - c. Board of directors of the company,
 - d. Creditors of the company.

8. The articles of association of a private company under the 2007 Companies Act must by law;
 - a. Prohibit the company from offering shares to the public;
 - b. Prohibit the company from appointing an auditor;
 - c. Prohibit the company from having of an 'object clause',
 - d. Prohibit the company from having more than 2 directors.

9. Directors of a company, unless articles of the company otherwise provide, be appointed by,
 - a. Shareholders by way of Special Resolution,
 - b. The board of directors by majority vote,
 - c. Shareholders by way of Ordinary Resolution,
 - d. Registrar of Companies by direction of Court.

10. A “special resolution” of shareholders is mandatorily required under the Companies Act when a company;
- a. Appoints directors /appoints a company secretary;
 - b. Declares dividends/ appoint an auditor;
 - c. Approves an amalgamation / reduce the company’s stated capital;
 - d. Removes a director /approves remuneration of directors.

(Total 10 Marks)

Part II

Answer **Five (05)** out of Ten (10) questions

Question No. 01

- a. “*A company is a legal entity distinct and different from its members*”. Explain this statement.
- b. What are the advantages of incorporation?
- c. Briefly explain the types of companies that could be incorporated under the companies Act No. 2007.

(2 Marks)

(3 Marks)

(5 Marks)

(Total 10 Marks)

Question No. 02

- a. “*The articles of association contain provisions that govern the internal regulation of the management of the affairs of the company*”. Discuss
- b. “*Section 21 of the Act affords protection to outsiders against irregularities of the company*”. Discuss

(5 Marks)

(5 Marks)

(Total 10 Marks)

Question No. 03

Discuss

- a. Pre-incorporation contracts.

(5 Marks)

- b. Requirements of a Prospectus under the Companies Act.

(5 Marks)

(Total 10 Marks)

Question No. 04

Write short notes on the following.

- a. Stated capital of a company

(3 Marks)

- b. Value of a share

(2 Marks)

- c. Solvency Test

(2 Marks)

- d. Reduction of Stated capital

(3 Marks)

(Total 10 Marks)

Question No. 05

- a. The solvency test ensures that the company, at a given moment in time, is financially healthy. Explain.

(4 Marks)

- b. It is the duty of the board to ensure that the solvency test is satisfied before any 'distribution' is made.

- i. Explain the procedure to follow before a company makes a distribution.

(3 Marks)

- ii. The Act permits the recovery of a distribution made to shareholders, if immediately after the distribution the company fails to satisfy the solvency test. Explain.

(3 Marks)

(Total 10 Marks)

Question No. 06

Write short notes on the following.

- a. Redemption of shares

(3 Marks)

- b. Financial Assistance in connection with purchase of shares

(3 Marks)

- c. Minority buy-out rights

(4 Marks)

(Total 10 Marks)

Question No. 07

- a. *“The number of shares which the company can issue is unlimited. The decision to issue shares will be at the sole discretion of the board.”*

Discuss this statement with reference to statutory provisions governing issue of shares, consideration for issue of shares.

(5 Marks)

- b. Explain the legal provisions dealing with transfer of shares.

(5 Marks)

(Total 10 Marks)

Question No. 08

The day to day business affairs of the company is managed by the directors of the company. Discuss this statement with reference to statutory duties of directors and consequences of breach of statutory duties of directors.

(Total 10 Marks)

Question No. 09

- a. A company must under the provisions of the Act maintain accounting records and prepare financial statements. Explain

(4 Marks)

- b. Appointment of auditors **and** re-appointment of auditors

(3 Marks)

- c. Qualification of an auditor **and** auditors report

(3 Marks)

(Total 10 Marks)

Question No. 10

“Auditors are watch dogs of a company”. Discuss this statement with reference to auditors statutory rights and duties.

(Total 10 Marks)