

**EXAMINATION NO.**

**THE PUBLIC ACCOUNTANTS EXAMINATION**  
**COUNCIL OF MALAWI**

**2013 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC12: COMPANY LAW**

**TUESDAY 4 JUNE 2013**

**TIME ALLOWED: 3 HOURS**  
**2.00 PM - 5.00 PM**

**INSTRUCTIONS:**

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you are **not allowed**, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper - 8.
3. Answer **FIVE** questions **ONLY**.
4. Each question carries 20 marks.
5. Your answers must be supported, where appropriate, by relevant decided cases and statutory provisions.
6. Begin each answer on a fresh page.
7. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 4 pages.

This question paper must **not** be removed from the examination hall.

1. (a) Who is a promoter of a company? **2 Marks**
- (b) Explain a promoter's duty towards the prospective company, at common law. **6 Marks**
- (c) Outline a promoter's personal liability for pre-incorporation contracts. **6 Marks**
- (d) Explain a company's liability for pre-incorporation contracts. **6 Marks**  
**(TOTAL : 20 MARKS)**
2. (a) Mention **two** common features between a company limited by shares and that limited by guarantee. **4 Marks**
- (b) Mention **two** types of companies that are limited by shares. **4 Marks**
- (c) Patrick and John operate a trading business as a partnership. They now intend to turn the business into a limited liability company. However, they are not sure whether or not this is really beneficial to them and they have also heard that unlike a partnership, a limited company has to comply with various legal provisions.

**Required:**

- (i) Mention any **three** benefits to partners of converting a partnership into a company limited by shares. **6 Marks**
- (ii) State **two** examples of the legal requirements that a limited company has to comply with. **6 Marks**  
**(TOTAL : 20 MARKS)**

**Continued/.....**

3. (a) Paul has just returned from the United Kingdom (UK) where he was working. He now wants to invest his small fortune by investing in a company limited by shares.

**Required:**

(i) State **three** ways in which Paul can become a member of a company limited by shares. **6 Marks**

(ii) Mention **four** ways in which a person can cease to be a member of a company limited by shares. **4 Marks**

(b) Mention **four** acts which a company can only do by special resolution. **4 Marks**

(c) The Directors for Globe Traders Ltd intend to pass a resolution in respect of some aspects of the company affairs. Unfortunately, all the five directors are too busy to convene a meeting. You are the Company Secretary for Globe Traders Ltd.

**Required:**

How would you ensure that the resolution is passed? **6 Marks**  
**(TOTAL : 20 MARKS)**

4. (a) The Companies Act 1984 gives a company, in a general meeting, the power to make certain corporate decisions:

Mention any **five** examples of such decisions. **5 Marks**

(b) Rodrick is dissatisfied with the way Durable Tyres Ltd is performing. Despite strong resistance from some shareholders, he has managed to convince three other shareholders that the only way to urgently reverse the situation is to requisition an extraordinary general meeting. The total voting power of the three “rebels” in the company is only 7%.

**Required:**

(i) State the statutory minimum voting power requirement for members of a company to requisition an extra-ordinary general meeting. **1 Mark**

(ii) Advise the **three** “rebels” on the procedure that they should follow in requisitioning the extraordinary general meeting. **10 Marks**

(c) Mention **four** groups of persons that are entitled to notice of a general meeting. **4 Marks**

**(TOTAL : 20 MARKS)**

5. (a) Mention any **four** ways through which a person may become a member of a company. **4 Marks**

(b) Write short notes on any **three** of the following:

- (i) share
- (ii) share capital
- (iii) share certificate
- (iv) share stock
- (v) ordinary share

**6 Marks**

(c) Charles intends to become a member of Tafika Bus Services Ltd by buying all the shares held by Henry in the company. The shares are fully paid up.

**Required:**

(i) State the procedures that Charles and Henry should follow for a complete and valid share transfer. **8 Marks**

(ii) State the difference between 'voluntary transfer' and 'involuntary transfer' of shares. **2 Marks**

**(TOTAL : 20 MARKS)**

6. (a) What are the remedies available to a holder of an unsecured debenture against the company? **6 Marks**

(b) What are the remedies available to a holder of a secured debenture against the company? **6 Marks**

(c) Distinguish a **fixed** from a **floating** charge. **3 Marks**

(d) In what circumstances does a floating charge become fixed? **5 Marks**

**(TOTAL : 20 MARKS)**

**Continued/.....**

7. (a) Define the following terms:
- (i) Casual director; **3 Marks**  
(ii) Alternate director; **3 Marks**  
(iii) Shadow director. **3 Marks**  
**9 Marks**
- (b) What is the position of a managing director in relation to a company? **3 Marks**
- (c) Mention **three** circumstances which may disqualify a person from functioning as a director of a company. **3 Marks**
- (d) State **three** duties which a company secretary performs in an organization. **3 Marks**
- (e) How many company secretaries may a company have? **2 Marks**
- (TOTAL : 20 MARKS)**
8. (a) Discuss the following:
- (i) reduction of share capital by a company; **4 Marks**  
(ii) cancellation of share capital by a company. **3 Marks**
- (b) What conditions must be satisfied if a company wishes to reduce its capital and alter its memorandum or articles accordingly? **4 Marks**
- (c) State **three** acceptable grounds for the reduction of company capital under the Companies Act (1984). **9 Marks**
- (TOTAL : 20 MARKS)**

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