

EXAMINATION NO. _____



2015 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC12: COMPANY LAW

THURSDAY 11 JUNE 2015

**TIME ALLOWED : 3 HOURS
2.00 - 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 will **not** be 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 - 7.
3. **FIVE** questions **ONLY** to be answered.
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 3 pages.

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

1. (a) Explain, in relation to a company's incorporation, the rule as expounded in the classic case of *Salomon v Salomon (1897)*. **4 Marks**
- (b) Explain the meaning of "lifting the veil of incorporation". **4 Marks**
- (c) How can the veil of incorporation be lifted under:
- (i) statutory law? **6 Marks**
- (ii) the common law? **6 Marks**
- (TOTAL: 20 MARKS)**

2. (a) The Articles of Association relate to the internal administration of a company. New challenges in the business environment may force a company to alter its Articles of Association.

Required:

State any **four** legal principles in relation to the alteration of Articles of Association. **8 Marks**

- (b) Ndirande Industries Limited (NIL) is proposing to alter its Articles of Association. The effect thereof will be to render the company incapable of performing its part of a contract entered into between itself and John who, upon learning of this move, intends to restrain NIL from effecting the alteration with an injunction.

Required:

Advise John if, under the Companies Act, he can restrain NIL from altering its Articles of Association. **7 Marks**

- (c) Zingwangwa Textiles Limited (ZTL) has altered its Memorandum of Association thereby making Jacob take more shares than those initially allotted to him on incorporation. Jacob is opposed to the alteration.

Required:

- (i) Advise Jacob whether or not he is bound by the alteration. **3 Marks**
- (ii) Would it make any difference, if Jacob agreed to be bound by the alteration? Give a reason for your answer. **2 Marks**
- (TOTAL : 20 MARKS)**

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3. (a) State the difference between a “limited” company and an “unlimited” company. **4 Marks**
- (b) State the difference between a “company limited by guarantee and a “company limited by shares”. **4 Marks**
- (c) Outline the procedure for converting:
- (i) a limited company to an unlimited company; **6 Marks**
- (ii) a company limited by shares to one limited by guarantee. **6 Marks**
(TOTAL: 20 MARKS)
4. (a) State the rule in the case of the *Royal British Bank vs Turquand (1856)*. **8 Marks**
- (b) Explain the doctrine of *ultra vires* as applied in company law. **6 Marks**
- (c) How does the Companies Act, 1984 affect the application of the doctrine of *ultra vires*? **6 Marks**
(TOTAL: 20 MARKS)
5. (a) State the facts and rule in the case of *Foss vs Harbottle (1843)*, without outlining its exceptions. **8 Marks**
- (b) Last month, Mary received a letter from the Managing Director of Kabula Technologies Limited (KTL) of which she was a minority shareholder. In the letter, the Managing Director of the said KTL stated that in exercise of his powers and upon consultation with the rest of the shareholders, he had considered it appropriate to compulsorily acquire all the shares held by her.
- Mary was disturbed by the news. She had not given consent to the compulsory acquisition of her shares, as required by the Articles of Association, and in any case, she would not want to cease to be a shareholder of KTL.
- Required:**
- Advise Mary on what to do, giving the grounds for her action and the expected results thereof. **12 Marks**
(TOTAL: 20 MARKS)

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6. (a) Who may convene an extraordinary general meeting of a company? **4 Marks**
- (b) State the period of notice that is required for an annual general meeting of a company. **2 Marks**
- (c) State the rights that a member's proxy has in relation to the annual general meeting. **2 Marks**
- (d) Name the persons entitled to attend and speak at any general meeting of a company. **6 Marks**
- (e) State the difference between an ordinary and a special resolution of a meeting. **6 Marks**
(TOTAL: 20 MARKS)
7. (a) What is the position of a Director in relation to a company? **6 Marks**
- (b) What is the position of a Managing Director in relation to a company? **4 Marks**
- (c) State any **four** circumstances under which a person may be disqualified from acting as a Director of a company? **4 Marks**
- (d) Mention the duties that a Company Secretary performs in a company. **4 Marks**
- (e) How many company secretaries may a company have? **2 Marks**
(TOTAL: 20 MARKS)

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