

CERTIFIED PUBLIC ACCOUNTANT INTERMEDIATE LEVEL EXAMINATIONS

11.3: COMPANY LAW

WEDNESDAY: 2 DECEMBER 2015

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has two sections A and B.**
- 3. Section A has two compulsory questions, 1 & 2 and one choice question, (3 or 4) not both.**
- 4. Section B has two questions (5 & 6) to choose one**
- 5. In summary answer 4 questions, three in section A and one in section B**
- 6. Marks allocated to each question are shown at the end of the question.**

SECTION A

Attempt three questions in this section. Question 1 and 2 and either 3 or 4 (not both)

QUESTION ONE

- (a) Fred Mugabo runs a business as a sole trader. At present the business is not performing well. Deliberations with friends highlighted to him that, formation and operating a business as company is more desirable as he could earn more profit and have less risks. Fred Mugabo has approached you as a student of company law for information.

REQUIRED:

- (i) Outline to Fred Mugabo the advantages of operating a business as a Company as opposed to sole trader. (8 Marks)
- (ii) Explain to Mugabo the difference between a Public Limited Company and a Private Limited Company. (6 Marks)

- (b) Outline any six records which a Company is required to keep at its registered office. (6 Marks)

- (c) Explain the meaning of “*variation of shareholders rights*”. (5 Marks)

(Total 25 Marks)

QUESTION TWO

With respect to company Law discuss:

- (a) The Powers of the Board of Directors (15 Marks)

- (b) Sugira Ltd is a Company specializing in wood production and was registered with the Rwanda Development Board in December 2014. Before its incorporation, some of its Shareholders entered into contract of supply of wood to Jyambere Corporation Ltd which operates in carpentry industry. After registration, shareholders of Sugira Ltd failed to understand what to do with the pre-incorporation contract with Jyambere Corporation.

REQUIRED:

Advise appropriately Sugira Ltd on the fate of the contract of supply of wood some of its Shareholders signed with Jyambere Corporation Ltd before the incorporation of their company. (10 Marks)

(Total 25 Marks)

QUESTION THREE

- (a) What information should be contained in advertisement issued, circulated, offering or indenting to offer shares or debentures of a company? (10 Marks)

- (b) James Kabera has subscribed for shares in Rwamagana Public Limited Company, a new Company that has been established. He was informed that subscribers will have to attend the Constituent ordinary meeting before they are allowed to make payment for allotted shares. James Kabera is ignorant of a Constituent ordinary meeting.

REQUIRED:

Explain to James Kabera the meaning of **Constituent ordinary** meeting and outline the business transacted in this meeting. (7 Marks)

(c) When is a company said to be unable to pay its debts? (3 Marks)

(Total 20 Marks)

QUESTION FOUR

(a) Explain the classes of shares under Company Law. (10 Marks)

(b) Gura Ltd was registered in May 2015. The shareholders acquired all their shares under the procedures provided for under the Law. Mugore exceptionally paid her shares in kind by transferring the ownership of her Flat located at Nyarugenge which was to serve as the Head Office of the Company to Gura Ltd. Other shareholders paid their shares in cash.

REQUIRED:

i) Explain the main means for the payment or acquisition of shares. (5 Marks)

ii) Demonstrate on how Mugore's Flat will be converted into shares. (5 Marks)

(Total 20 Marks)

SECTION B

Attempt one question in this section. Choose either question 5 or 6 (not both)

QUESTION FIVE

(a) Coltan International Ltd is a company specializing in mining and has a Head Office in Kigali. Lately its net assets increased to two billion Rwandan Francs. The Board of Directors approved a proposal to buy a Multi-Apartment block of flats to expand the business in real estate worthy one billion Rwandan Francs. The Board of Directors were very happy of a good decision made as the projected profits from this building per annum would be five hundred million Rwandan Francs. However, one of majority shareholders believes the Board acted out of its scope and engages you to advise the company on the legality and validity of this transaction. (15 Marks)

(b) In its annual meeting the shareholders of KUKI Ltd refused to approve both the Auditor's report and the financial statements of the company in July 2014. They concluded that the Auditor of the company was not capable of auditing their firm and passed a resolution to appoint another auditor. Furthermore, they decided the financial statements contained many errors that rendered them not fit for approval and engaged the Board of Directors to make further correction before they are approved.

REQUIRED:

(i) What are the Quality and Qualifications of an auditor? (6 Marks)

(ii) Explain the Process of approving financial statements which were not approved during the annual meeting of shareholders. (9 Marks)

(Total 30 Marks)

QUESTION SIX

- (a) The Registrar of companies has powers to carry out mandatory investigation of a company. Explain the purpose of such a mandatory investigation. (8 Marks)
- (b) What are the common causes of dissolution of companies? (8 Marks)
- (c) What are the obligations applicable to foreign companies in Rwanda? (6 Marks)
- (d) Explain two alternatives to winding up of a company as provided by law in Rwanda? (8 Marks)

(Total 30 Marks)

End of question paper