

**CERTIFIED PUBLIC ACCOUNTANT  
INTERMEDIATE LEVEL EXAMINATIONS**

**I1.3: COMPANY LAW**

**THURSDAY: 30 NOVEMBER 2017**

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**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 (2) compulsory questions, 1 & 2 and one choice question, (3 or 4) not both while Section (B) has two(2) questions (5 & 6) to choose one.
4. In summary answer four (4) questions.
5. Marks allocated to each question are shown at the end of the question.
6. All iCPAR Examination rules and regulations apply.

## SECTION A

*Attempt three questions in this section.*

*Question 1 and 2(Compulsory) and either 3 or 4 (Not both)*

### QUESTION ONE

Tsinze Company carries out its business in Nyabihu town. Its business which had been thriving has now gone down. The company has accumulated debts and this has affected it negatively. In the last general meeting some shareholders got to know that the rights of their class of shares changed, following the directors' decision to alter share capital. As a result, the face value of their shares has reduced. During the same meeting, the auditor's report was not presented. The auditor's explanation was that there was no need to present the report, since they had discussed everything that was contained in the report.

After the general meeting some shareholders went to the office of the Registrar General to check the filled returns of Tsinze Company. They were shocked to find that no returns had been delivered to the Registrar for the last two years. They became furious, and immediately went to the company offices, and informed the company secretary that he would be held responsible for all the mess. At the same time, the company secretary has received demand notes from debenture holders, for payment. Among the debenture holders is Kayumba, whose debt is secured by one of Tsinze Company's fixed assets, and Migabo, whose debt was attached to the company's stock. Migabo is now seeking to be paid first, in case the company is dissolved.

### REQUIRED:

Identify the issues highlighted in the case and explain how to resolve them **(25 Marks)**

### QUESTION TWO

Mafara Company Limited was incorporated in Rulindo district. The company processes food products for export. Habyara, the company secretary, has been working with the company for the last two years, but had disagreements with one of the directors. He was accused of reporting late and leaving before closing time. He was asked to surrender the company seal and the minutes to Ngoga, one of the internal auditors.

Last month, the directors appointed Shema, a qualified accountant aged 76 years, as managing director of the company. Habyara, could not withstand the pressure imposed on him to handover the company seal and the minutes to Ngoga and decided to resign. The position of the company secretary was advertised and a lot of candidates applied. Rukundo who had a certificate in mechanics was appointed as the new company secretary. Some shareholders were not contented

with the appointment of the new company secretary. In the meantime, the business of the company was in shambles and shareholders decided to have the company liquidated. A liquidator was appointed and took over the management of the company. The company had many creditors but when they approached the liquidator, he first paid himself before paying the creditors. The creditors are now threatening to sue him for paying himself before they could be paid.

**REQUIRED:**

Raise and resolve the issues involved **(25 Marks)**

**QUESTION THREE**

(a) (i) Define the term 'prospectus'. **(2 Marks)**

(ii) Outline the contents of a prospectus. **(10 Marks)**

(b) Describe the documents that must be filed by a foreign company to the Registrar General before starting a business in Rwanda. **(8 Marks)**

**(Total 20 Marks)**

**QUESTION FOUR**

(a) Explain the grounds for an objection to the intention to remove a company from the register of companies by the Registrar General. **(10 Marks)**

(b) Describe the functions of an administrator appointed to carry out the insolvency procedure of a company, initiated by the Registrar General. **(10 Marks)**

**(Total 20 Marks)**

**SECTION B**

*Attempt one question in this section.*

*Choose either Question 5 or 6 (Not both)*

**QUESTION FIVE**

(a) Outline the contents of the memorandum of association of a company. **(10 Marks)**

(b) Explain the qualifications for appointment of a company director as provided by law. **(10 Marks)**

(c) (i) Explain the qualifications of an auditor as provided by law. **(2 Marks)**

(ii) Describe persons disqualified by law to be auditors. **(8 Marks)**

**(Total 30 Marks)**

## **QUESTION SIX**

- (a) Explain the different types of contribution that can be made to qualify as a shareholder of a company. **(8 Marks)**
- (b) (i) Describe the records of a company that must be kept at its head office. **(14 Marks)**
- (ii) Explain the contents of a company's accounting records. **(8 Marks)**
- (Total 30 Marks)**

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**End of question paper**