

**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS**

I1.3: COMPANY LAW

THURSDAY: 6 DECEMBER 2018

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 (COMPULSORY)

QUESTION ONE

Kibeho Consults Ltd deals in small spare parts for car assembly. Its business has been progressing well due to new technologies in the country. It is now, however, facing some serious challenges.

Hirwa, who was very instrumental in getting business for the company, persuaded Cumura Enterprises to provide credit supplies worth Frw 50 million before incorporation of Kibeho Consults. On incorporation, Kibeho Consults duly acknowledged supplies worth Frw 30 million. Later, when Hirwa presented a demand note from Cumura Enterprises worth Frw 50 million, the directors of Kibeho Consults refused to pay on the ground that such transactions cannot be considered by the company.

Two months ago, one of Kibeho Consults' vibrant members, was declared bankrupt. When the company creditors got wind of it, they decided to commence winding-up procedures, for fear that they may not be paid. The company is now contesting this move as malicious and un-called for.

The directors have scrutinised all company documents and discovered that Ntampaka, one of the directors, had interest in Gongga company that Kibeho Consults often transacts with. The directors decided to treat all transactions with Gongga company as void.

Furthermore, a general meeting was convened for the removal of Ntampaka but no reason was given in the notice for the meeting. After his removal, Ntampaka is now contesting his removal.

REQUIRED:

Raise all relevant issues and resolve them.

(Total 25 Marks)

QUESTION TWO

Karekezi and his friends incorporated Keko Ltd in Uganda. The company buys and sells timber across the East African countries. Keko Ltd, which was duly authorised to conduct business in Rwanda has been approached by Kaitesi, to buy her four acres of land in the Gikongoro town. They made a sale agreement and the transfer forms were duly signed by Kaitesi, in favour of Keko Ltd. When Karekyezi delivered the transfer forms to the land office, the officers informed him that they could not effect the transfer, because Keko Ltd was a foreign company and not authorised to own land in Rwanda.

On the other hand, Keko Ltd was interested in joining Damu Ltd, a company incorporated in Rwanda, carrying out the same business as Keko Ltd. An application to the Registrar General's office was rejected on the ground that two companies cannot be joined to form one company.

In a related development, the directors of Damu Ltd appointed Himbaza as their company Secretary. In performance of his duties, Himbaza became big headed and was not implementing decisions of

the directors. The directors dismissed Himbaza from the job but he refused to vacate office, saying that the shareholders consent had not been obtained.

Keko Ltd has been having issues with its Articles of Association and wants to amend them. The company Articles provided for amendment in case of any ambiguity. When the directors presented proposals for amendment, some of the members objected.

REQUIRED:

Raise and resolve the issues involved.

(Total 25 Marks)

SECTION A (CHOOSE ANY ONE QUESTION)

QUESTION THREE

In reference to Law governing companies in Rwanda:

REQUIRED:

- (a) State instances where the following persons may order an investigation into the company business.
 - (i) Minister. **(4 Marks)**
 - (ii) Registrar. **(4 Marks)**
 - (b) Describe conditions necessary for the Board of Directors to allot shares in lieu of dividends. **(12 Marks)**
- (Total 20 Marks)**

QUESTION FOUR

- (a) Write short notes on the following company terms:
 - (i) A proxy. **(3 Marks)**
 - (ii) Quorum. **(3 Marks)**
 - (iii) Extra-ordinary meeting. **(3 Marks)**
 - (b) Explain the following:
 - (i) The rule laid down in Royal British Bank v Turquand (1856). **(8 Marks)**
 - (ii) The extent of a shareholder's liability towards a private limited company or for its obligations. **(3 Marks)**
- (Total 20 Marks)**

SECTION B (CHOOSE ANY ONE QUESTION)

QUESTION FIVE

In reference to Law governing companies in Rwanda:

REQUIRED:

- (a) Outline the rights of a company auditor. **(10 Marks)**
 - (b) (i) Define a dormant company. **(2 Marks)**
(ii) Describe circumstances under which a company may be registered as a dormant Company. **(4 Marks)**
 - (c) Explain:
 - (i) The effect of removing a company from the register of companies. **(2 Marks)**
 - (ii) Grounds upon which a company may be removed from the register of companies. **(6 Marks)**
 - (d) Outline instances when a company may be administratively penalised. **(6 Marks)**
- (Total 30 Marks)**

QUESTION SIX

In reference to Law governing companies in Rwanda:

REQUIRED:

- (a) Explain the contents of a memorandum of association of a company with share capital. **(8 Marks)**
 - (b) Describe the powers reserved for shareholders of a company, which are exercised by special resolutions. **(10 Marks)**
 - (c) (i) Explain major transactions that a company may carry out in company management. **(6 Marks)**
(ii) Explain the requirements that must be fulfilled before a company undertakes a major transaction. **(6 Marks)**
- (Total 30 Marks)**