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**CERTIFIED PUBLIC ACCOUNTANT  
INTERMEDIATE LEVEL EXAMINATION**

**I 1.3 : COMPANY LAW**

**WEDNESDAY : 11 JUNE 2014**

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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 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) Explain the following in relation to a company's memorandum of association:

- i) The registered office clause **(3 Marks)**
- ii) The capital clause **(3 Marks)**
- iii) The name clause. **(4 Marks)**

b) Rwagiheto Company is a small private limited company. Although there are three members of its board of directors, the actual day-to-day running of the business is left to one of them, Nikuze, who simply reports back to the board on the business he has transacted. Nikuze refers to himself as the managing director of Rwagiheto Company, although he has never been officially appointed as such.

Six months ago Nikuze entered into a contract on Rwagiheto Company's behalf with Bagwire to produce some advertising material for the company. However Rwagiheto Company did not wish to proceed with the advertising campaign and the board of directors have refused to pay Bagwire, claiming that Nikuze did not have the necessary authority to enter into the contract with him.

#### **Required :**

Analyse the situation with regard to the authority of Nikuze to make contracts on behalf of Rwagiheto Company and in particular advise whether or not Rwagiheto Company is liable to Bagwire **(15 Marks)**

**(Total 25 Marks)**

### QUESTION TWO

Kabatesi has approached you as company law student inquiring various aspects of a company.

#### **Required :**

In the context of company law explain to her:

- a) The doctrine of separate legal personality and its consequences; **(20 Marks)**
- b) The circumstances under which separate legal personality may be ignored. **(5 Marks)**

**(Total 25 Marks)**

### QUESTION THREE

Under Rwandan company law, there are two categories of companies, public companies and private companies.

#### Required :

a) Differentiate between public companies and private companies. **(18 Marks)**

b) What is a company limited by guarantee? **(2 Marks)**

**(Total 20 Marks)**

### QUESTION FOUR

a) What is a prospectus? **(4 Marks)**

b) What are the contents of a prospectus? **(14 Marks)**

c) Are private limited companies allowed to issue a prospectus? Explain why. **(2 Marks)**

**(Total 20 Marks)**

### SECTION B

*Attempt one question in this section.*

### QUESTION FIVE

(a) What is a dormant company? **(4 Marks)**

(b) Outline the position of the law in regard to dormant companies. **(6 Marks)**

(c) The law provides that the auditor of a company should prepare an audit report. Briefly outline the contents of the auditor's report. **(10 Marks)**

(d) Discuss the position of the law with regard to financial statements and annual reports **(10 Marks)**

**(Total 30 Marks)**

## QUESTION SIX

- (a) What is a debenture? (4 Marks)
- (b) What are the conditions to be fulfilled for the issuance of debentures? (8 Marks)
- (c) State the two types of meetings of debenture holders as per the Companies Act and explain the business transacted in these meetings. (12 Marks)
- (d) What is the position of the law in regard to how debenture holders' meetings can be convened? (6 Marks)

**(Total 30 Marks)**

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**End of question paper**