
**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS**

11.3: COMPANY LAW

WEDNESDAY:10 JUNE 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) With relevant example explain:

(i) Unanimous Resolution; **(6 Marks)**

(ii) Ordinary Resolution; **(6 Marks)**

(iii) Special Resolution. **(6 Marks)**

(b) Shyanuka is a shareholder in Kira Ltd, a Private Ltd company. He holds thirty (30) percent of voting rights. After the Annual General Meeting, he noted that the company was not well managed and decided to send a written request to the Board of Directors to convene a Special General Meeting to remove the Chairman of the Board of Directors. The Board of Directors convened the meeting with the notice of the meeting stating that the purpose was the removal of the Chairman of the Board of Directors. The Special General Meeting eventually passed a special resolution to remove the Chairman.

REQUIRED:

(c) Substantiate on the legality of this special resolution removing the Chairman of the Board of Directors of Kira Ltd basing on the Law relating to companies in Rwanda 2009. **(7 Marks)**

(Total 25 Marks)

QUESTION TWO

(a) A company is regarded a legal person, distinct from its members. The fact that a person holds all or substantially all of the shares in a company does not make the company's business that person's business in the eyes of the law". Discuss the above statement. **(12 Marks)**

(b) What is the position of law with regard to the obligations of directors on criminal and civil liability? **(8 Marks)**

(c) Discuss briefly the causes for the disappearance of legal personality of a company **(5 Marks)**

(Total 25 Marks)

QUESTION THREE

Keza subscribed for one thousand (1000) shares in BYK Ltd, a public limited company, in 2013. The price per share was Frw700. By 2014 she had paid Frw 700,000 for all her shares. After the payment, she wanted to be in full control of the shares she had paid for.

REQUIRED:

Discuss the following:

(a) The extent and procedure of negotiability of her shares. **(15 Marks)**

(b) Restrictions on the transfer of shares. **(5 Marks)**

(Total 20 Marks)

QUESTION FOUR

- (a) (i) Explain the effect of law on persons holding managerial positions within a company. **(2 Marks)**
- (ii) Outline the persons who are prohibited from managing a company. **(4 Marks)**
- (b) Explain the position of law on false or misleading notice and knowingly submitting a false document for the registration of a company. **(10 Marks)**
- (c) Explain the criteria under which the Registrar General may remove the company from a register companies **(4 Marks)**
- (Total 20 Marks)**

SECTION B

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

QUESTION FIVE

- (a) Kanombe Air, a Republic of Rwanda Statutory Corporation made huge profits in the second quarter of 2014. One of the shareholders, Flight Air, a UK aviation company wanted its share of profits and the Manager of Kanombe Air was of the view of distributing profits in accordance with the Law governing companies.

REQUIRED:

Advise the Manager of Kanombe Air on distribution of profits with respect to company law . **(15 Marks)**

- (b) Juru Joel created, Juru Glass Ltd as a sole proprietor. He is the sole proprietor and sole Director of this company. As he is ageing, being eighty-eight (88) years, he is thinking of retiring from the company.

REQUIRED:

Advise him on the following:

- (i) Resignation of the company's sole Director. **(7 Marks)**
- (ii) Replacement of a company's sole Director. **(8 Marks)**

(Total 30 Marks)

QUESTION SIX

B&M Ltd is a public limited company listed on Rwanda Stock Exchange. Bwenge is the Chief Executive of this company while Manyanga is its Chairman of the Board. The two persons are members of the Board of Directors too. In 2014, Bwenge noted that the B&M shares were going to dramatically increase in value, he informed Manyanga and the two decided to buy the majority of shares of the company. They initially convened an extra-ordinary meeting of shareholders to inform them the company was on a verge of bankruptcy and requested them to sell their shares. The minority shareholders decided to sell their shares to at least get their initial investment. Bwenge and Manyanga had no cash to buy these shares. They however had another way to get money and they submitted false financial report stating that money had been stolen. The stolen money was used to buy the shares of minority shareholders. The minority shareholders waited for the company to go bankrupt in vain. Instead they noted the neat progress in Bwenge and Manyanga's revenues and the growth of their company.

(a) Are Bwenge and Manyanga's acts in this scenario legal? Explain. **(10 Marks)**

(b) Explain the possible liabilities can be imposed on Bwenge and Manyanga for their acts **(20 Marks)**

(Total 30 Marks)

End of question paper