
**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATION**

11.3: COMPANY LAW

THURSDAY: 9 JUNE 2016

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.**

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SECTION A

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

QUESTION ONE

(a) Write short notes on the following:

- (i) The term company law **(3 Marks)**
- (ii) The company **(3 Marks)**
- (iii) Company limited by shares **(3 Marks)**
- (iv) Company limited by guarantee **(3 Marks)**
- (v) Unlimited liability company **(3Marks)**

(b) Kagabo, Gasore and Kabwa desire to form a company but are ignorant on the methods of capital contribution. Kagabo a prominent Accountant in Kigali wishes to pay his shares through offering accounting service to the company instead of paying cash. Gasore, a rich merchant in Musanze wants to use his building in Kigali district while Kabwa intends to use his savings account to pay his shares. The three shareholders have approached your Law firm for advice on share capital contribution.

Required:

Advise them on share capital contribution as per the companies act. **(10 Marks)**

(Total 25 Marks)

QUESTION TWO

UMA and ONACHE are mechanics who originally operated their respective businesses as sole traders. They decided to combine their experience and resources and formed a company called Africa United Co LTD to run their old business. All the assets of their respective businesses were transferred to the new company. The date of the certificate of incorporation was 15 January 2013. UMA and UNACHE are the only directors and shareholders of the company.

This business is run from the company's garage premises previously used by ONACHE, which he continues to insure in his own name. In DEC 2014, the company's premises (Africa United Co Ltd) was destroyed by fire. ONACHE made a claim on his insurance policy but the insurance company has refused to indemnify him, ONACHE does not understand why.

Required:

- (a) Discuss the principle which will be applicable in the above case **(10 Marks)**
- (b) Does ONACHE have insurable interest in the life of the company? **(5 Marks)**
- (c) Advice UMA and ONACHE with regard to company property **(10 Marks)**

(Total 25 Marks)

QUESTION THREE

Kaliza agreed to outsource consultants' services for the formation of a company, the terms of the contract concluded between her and the proposed company promoter read as follows: "the promoter for the proposed

company shall be eligible for payment only after the certificate of incorporation has been issued, and payment will be made in the names of the company”.

Required:

- (i) Explain the legality of Kaliza’s contract **(6 Marks)**
- (ii) Explain the role of a promoter in pre incorporated company **(8 Marks)**
- (iii) State and explain the contents of a prospectus **(6 Marks)**

(Total 20 Marks)

QUESTION FOUR

- (a) Briefly highlight the Rights and Obligations of Shareholders. **(8 Marks)**
- (b) Explain the legally acceptable reasons for the termination of ownership to a company. **(12 Marks)**

(Total 20 Marks)

SECTION B

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

QUESTION FIVE

- (a) Basing on the provisions of Company Law, what are the mandatory accounting and financial reporting requirements"? **(10 Marks)**
- (b) In 2013, the shareholders of Nkire Ltd, a private company with the Head Office at Butare decided to dissolve their company. The shareholders wanted to liquidate the company without the intervention of court as they deemed it to be bad for their image. Knowing that this process involves knowledge in company law, they have sought your guidance for decision making leading to eventual liquidation. Basing on the Law relating to companies in Rwanda, advise them on the matter. **(10 Marks)**
- (c) The shareholders of Nkire Ltd want to know the procedures to follow to deregister their company from the Register of Companies at RDB and require your knowledge in the matter. Advise them appropriately. **(10 Marks)**

(Total 30 Marks)

QUESTION SIX

- (a) With reference to the Company's Act, state the business activities to be transact at the Annual General Meeting (AGM) of a company. **(8 Marks)**
- (b) Mbwa holds a 49.9 per cent of the shares in GA Ltd. He wanted to reduce the number of shares owned by other minority shareholders in particular Mugabo who holds 35 percent. Mbwa then made a request to the Board of Directors to convene a Special Meeting of Shareholders. The meeting took the decision to reduce the shares for all the minority shareholders. Mugabo’s shares were reduced by 30% which resulted to Mbwa gaining 53 per cent of the share capital. Mugabo was dissatisfied with the reduction of his shareholding and has approached you for advice on the how he can regain his shares.

Required:

Advise him appropriately.

(12 Marks)

a) The Managing Director BS Ltd signed a contract for 10 billion Rwandan Francs which is 30 per cent of the value of the company's assets before the transaction. Under Rwandan Law, this transaction amounted to the breach of duty of care and violation of article 212 of the Law relating to companies. In the process the company lost 5 billion Rwandan Francs and subsequently, the Managing Director of BS Ltd made a 500 million profit from the transaction. Explain the available remedies to BS Ltd in this case. **(10 Marks)**

(Total 30 Marks)

End of question paper