
CERTIFIED PUBLIC ACCOUNTANT(CPA) INTERMEDIATE LEVEL EXAMINATIONS

I1.3: COMPANY LAW

THURSDAY: 7 JUNE 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.

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QUESTION ONE

Varuga Company operates its business in Rulindo district. From last year to-date, the members have not been happy with the way the directors and secretary are managing company affairs.

During the last general meeting, some members were barred from voting on changes of the company's Articles of Association. They were informed that their membership class was not eligible to vote on certain matters. The company documents however did not subject any limited or conditional rights to their class of membership.

Ntarugera who initially had 10 shares, had subsequently purchased 20 more shares from another member. However, when he inquired about his shareholding status, the Secretary informed him that his shares were only 10.

Ntarugera shared his disappointment with some members. They decided to make checks on the actions of the directors and the secretary. They discovered that many company documents had not been submitted to the Registrar General as required by law. On inquiry, the secretary told them to mind their own business and leave the company matters to management. This hostile response greatly annoyed the members who resolved to make changes in the management of company affairs. Their resolution was supported by an attachment of signatures.

When the directors heard about the members' move, they dismissed it with the argument that such a resolution cannot be filed with the Registrar.

Varuga Company members have now approached you for advice.

REQUIRED:

Raise all the relevant issues and resolve them.

(Total 25 Marks)

QUESTION TWO

Gatera and Gatanazi, who were businessmen in Gikongoro town, formed and incorporated Gaga Ltd. During the process of incorporation, Gatera used his powers as a promoter and started buying cement in the names of Gaga Ltd. He resold the cement at a profit which was never declared to the company. He used the profits realised to expand his private school in Kibeho town. Gatanazi later discovered that Gatera was using company's money for personal businesses. Gatanazi is disturbed and does not know what to do.

Gaga Ltd operated for four years before the shareholders could suspect that something was going wrong. When they realised that the company business was being run fraudulently, some of the shareholders reported to the Registrar General, who appointed Hitimana, a prominent retired head teacher, to inspect Gaga Ltd's management affairs. The company's affairs were extensively covered in the news media.

Also in the news is Umutoni who had been appointed as liquidator of Bada Company to wind it up. She paid the shareholders and later on some of the creditors. The creditors who did not receive their payment are now threatening court action.

The same newspaper reported that, Gabanda, one of the directors of Geto Ltd used his powers to secure loans for the company from financial institutions. It is reported that he used some of the money to carry out his personal business and the company has failed to pay back. The financial institutions are vigorously demanding for their money from Geto Ltd.

REQUIRED:

Raise the issues involved and resolve them.

(Total 25 Marks)

QUESTION THREE

Explain the:

- (a) circumstances under which a company may redeem its shares as provided by the law governing companies. **(8 Marks)**
- (b) instances when a company director must disclose his /her interest in the company's transactions.

(12 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Describe the legal consequences of incorporation.
- (b) Explain common causes of dissolution of companies.

(8 Marks)

(12 Marks)

(Total 20 Marks)

QUESTION FIVE

- (a) Describe how authorisation of amalgamation of companies is made. **(4 Marks)**
 - (b) State the required contents of incorporation documents for authorisation of an amalgamation, under the law relating to companies in Rwanda.
- (14 Marks)**
- (c) Explain the effects of completion of amalgamation on obtaining a certificate from the Registrar General.

(12 marks)

(Total 30 Marks)

QUESTION SIX

- (a) Outline the obligations applicable to foreign companies in Rwanda as provided by the law governing companies.
- (10 Marks)**
- (b) Describe the duties of a company secretary. **(10 Marks)**
 - (c) Outline powers reserved to shareholders exercisable by special resolution. **(10 Marks)**

(Total 30 Marks)

END OF QUESTION PAPER

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