
**CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS**

I1.3: COMPANY LAW

THURSDAY: 6 JUNE 2019

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

QUESTION ONE

Keza is the company secretary of Jambo Ltd. Due to work overload, Keza sometimes experiences delays fulfilling her tasks. An example is when the directors instructed her to send out notices for the company general meeting. Keza notified members about the meeting by giving a 7 days' notice. Although most members were able to attend the meeting, they expressed a need to ensure that secretarial tasks are performed in time. This was partly because of the Registrar General's query about the inability of the company to submit returns at the registry. When challenged about the same, Keza said that she always does the needful.

The Registrar also queried the quality of the company's audit reports. Consequently, the meeting passed a resolution to remove Umutoni from her position of the company's external auditor. Umutoni, however, disputes such a move and says it was not called for.

In another development, Nziza who is a member of Jambo Ltd, bought 10 shares from another member. The requisite transfer forms were immediately delivered to the directors. Two months later, Nziza had not received a share certificate in respect of the 10 shares. He found out that the directors had never passed any resolution on refusal to register his 10 shares. He, therefore, wonders why his certificate has not been issued.

Ntampaka who is also a member of Jambo Ltd, is also unhappy. Sometime back the company passed a special resolution for a major company transaction and all members were notified about the resolution. Ntampaka did not agree and never signed the resolution. He sent a written notice to the company three weeks later, requesting that the company purchases his shares. The company did not purchase his shares. When Ntampaka followed up the matter, he was informed by the directors that his request would not be effected.

REQUIRED:

Basing on the Law governing companies in Rwanda:

- (i) Explain whether Keza violated any of her duties as Jambo Ltd's Secretary. **(5 Marks)**
 - (ii) Explain the legality of Jambo Ltd's shareholders' resolution in the annual meeting to remove Umutoni as the company's external auditor. **(5 Marks)**
 - (iii) Elaborate on the legality of the refusal by Jambo Ltd's Board of Directors to issue the share certificate to Nziza. **(5 Marks)**
 - (iv) Explain the legal basis for Ntampaka to request the Board of Directors of Jambo Ltd to purchase his shares. **(5 Marks)**
 - (v) Advise the aggrieved parties about remedies that may be available to them. **(5 Marks)**
- (Total 25 Marks)**

QUESTION TWO

Gahima and Shyaka are directors of Damu Ltd which has its registered office at Gikongoro. The company has been dealing in buying and selling of agricultural produce and it has made a lot of profits. The board of directors of the company caused an audit of the books of account for the company.

At the annual general meeting held on 28 February, 2019 the shareholders demanded for the annual accounts but the board of directors informed them that there was no need to show them the annual accounts since the company was doing well. In the same meeting a resolution was passed to sell Damu Ltd shares. Kabanda, one of the shareholders, expressed interest in acquiring some of the shares. The directors, however, declined his offer to acquire the shares on ground that a member cannot buy shares of his own company.

In a related development, Twagiramungu, the company secretary for Damu Ltd, has been keeping the company records. Recently, he ran short of space of keeping company records. He consulted secretaries of other companies who advised him to select documents which have been kept for more than 5 years and destroy them to create space for new records. Twagiramungu took the advice and burnt the old records dating 5 years back. However, some members of the company were aggrieved by the action of the secretary.

In another scenario, Damu Ltd purchased some of its own shares. Subsequently, one of the shareholders is challenging the acquisition, through the legal advisor of the company on the basis that the law does not allow a company to buy its own shares.

REQUIRED:

In relation to the Law governing companies in Rwanda.

- (i) State the legality of the decision of the Board of Directors of Damu Ltd to refuse to disclose the annual books of accounts of the company to the shareholders. **(5 Marks)**
 - (ii) Explain the legal basis for the Directors of Damu Ltd to refuse Gabanda the right to acquire shares in Damu Ltd. **(5 Marks)**
 - (iii) Explain whether Damu Ltd can acquire some of its own shares. **(5 Marks)**
 - (iv) Explain the legality of the act of Twagiramungu to destroy Damu Ltd's records. **(5 Marks)**
 - (v) Advise the parties about the remedies available to them. **(5 Marks)**
- (Total 25 Marks)**

QUESTION THREE

- (a) Bagaza is a shareholder in Baga Ltd, a company going through insolvency proceedings. He has been advised by his friend to visit the offices of the Registrar General to legally conclude the process.

REQUIRED:

Explain to Bagaza the responsibilities of the Registrar General in relation to commercial recovery in insolvency proceedings. **(10 Marks)**

- (b) Explain the responsibilities of a temporary administrator appointed by court in relation to management and transfer of the debtor's property. **(10 Marks)**

(Total 20 Marks)

SECTION B

QUESTION FOUR

- (a) Assuming John Roberts an American National is interested in registering his American Company called Rohn Ltd in Rwanda.

REQUIRED

Advise John Roberts on the documents he would require for application for registration. **(8 Marks)**

- (b) Describe circumstances under which the Registrar General may remove a foreign company from the register. **(4 Marks)**

- (c) Explain the grounds for removal of a company from the register. **(8 Marks)**

(Total 20 Marks)

QUESTION FIVE

- (a) Explain the terms set out in amalgamation proposal for amalgamation purposes. **(8 Marks)**

- (b) Describe the contents of incorporation documents for amalgamation authorization. **(10 Marks)**

- (c) Explain the prerequisites for authorizing amalgamation. **(4 Marks)**

- (d) Describe the effects of the certificate of amalgamation. **(8 Marks)**

(Total 30 Marks)

QUESTION SIX

- (a) Explain the fundamental rights of shareholders which are attached to the shares held. **(12 Marks)**

- (b) Describe the contents of a directors' report in respect to an accounting period of a company. **(10 Marks)**

- (c) Outline the documents that directors of a company must disclose to the shareholders annually. **(4 Marks)**

- (d) Outline the different timeframes within which annual general meetings of shareholders may be held. **(4 Marks)**

(Total 30 Marks)