

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

BACHELOR OF COMMERCE (HONOURS) DEGREE

**COMPANY LAW II- CIN 2206
SUPPLEMENTARY EXAMINATION**

JULY/AUGUST 2005

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. ANSWER ALL THE QUESTIONS.
 2. SUBSTANTIATE YOUR ANSWERS WITH REFERENCE TO AUTHORITY WHEREVER POSSIBLE.
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QUESTION ONE.

a) Describe the features of Preference Shares.

[9 marks]

OR

b) What is a debenture and what are its characteristics?

[9 marks]

c) Section 124 of the Companies Act [*Chapter 24:03*] provides for the Statutory meeting and the Statutory report.

Explain:

- i) Which company/ies are obliged to hold this meeting and when it should be held? ;
- ii) What information should be contained in the Statutory Report? ;
- iii) The consequences that directors may be visited with in the event of failure to comply with Section 124.

[16 marks]

[TOTAL: 25 Marks]

QUESTION TWO

- a) Under the articles of association of Delight Designs Company, Bob and four other persons were appointed as directors and entitled at their option to hold Office for five years. The articles further provided that the directors should Receive a certain salary per annum. The articles further provided that, “no articles herein contained or hereafter made shall at any time, or upon any pretext, be rescinded, altered or added to, except by special resolution”. Later, a special resolution was passed substituting a provision that the remuneration of directors should from time to time be settled by the company at its AGM. Bob Then resigned his directorate on the ground that Delight Designs had broken its contract with him and then claimed damages. Fully Advise Bob.

[12 Marks]

- b) Denise is contemplating becoming a director of a company. She is unsure whether she qualifies to be one and how she could be appointed. Advise her fully.
(13 marks)

[TOTAL: 25 Marks]

QUESTION THREE

- a) By the articles of association of Commercial Services (Pvt) Ltd, the general management and control of the company were vested in the directors, subject to such regulations as might be made by extraordinary resolution. At a general meeting of the company, a resolution was passed by a simple majority Of the shareholders for the sale of the company’s assets on certain terms, Directing the directors to carry the sale into effect. The directors were of the Opinion that a sale on those terms was not for the benefit of the company and Declined to carry the sale into effect. Discuss the legal position

[12 marks]

- b) Mr Matsika, an architect had been the managing director of Striking Structures (Pvt) Ltd, which offered building and development consultant services. As the company’s representative, Mr Matsika had sought to obtain contracts for Striking Structures (Pvt) Ltd from the Rural Development Council in connection With four projects the latter planned to build. The Rural District Council indicated To Mr Matsika that they were not prepared to do business with Striking Structures (Pvt) Ltd although they were prepared to engage Mr Matsika personally. Later, Mr Matsika obtained a release from his appointment with Striking Structures (Pvt) Ltd on the pretext of ill-health and accepted the work from the Rural District Council. What is the legal position? Discuss Fully.

[13 marks]

[TOTAL: 25 Marks]

QUESTION FOUR

a) Under Section 53 of the Companies Act [*Chapter 24:03*] certain persons may held liable for mis-statements appearing in the Prospectus.

i) Name these persons

ii) Certain persons may escape liability under this section if they prove Certain things. Name the things such person must prove in order to Evade liability.

[10 marks]

b) Wonder Company was incorporated in 1990. Its objectives were to establish a modern mineral water factory and a large dry-cleaning business. By 1999, its only activity had been money-lending. What should be done about this company?

[6 marks]

b) Compare and contrast between Winding-up and Judicial Management.

[9 marks]

[TOTAL: 25 Marks]

END OF EXAM
