



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SEMESTER II EXAMINATION

COMPANY LAW II [BAC 2206]

JUNE 2025

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions under **SECTION A (Compulsory)** and choose any **THREE** questions under **SECTION B**.
2. **Section A** carries 40 marks whilst each question in **Section B** carries 20 marks.
3. Begin each question on a new page.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.
3. Candidates are allowed to bring a copy of the **Companies and Other Business Entities Act [Chapter 24:31]**

SECTION A [40 marks]

MULTIPLE CHOICE [30 marks]

For each of the following questions, just write the letter that corresponds to the answer you consider to be correct. Each question carries 2 marks

1.1. What is a fiduciary duty?

- A. Utmost good faith and avoiding conflict of interest.
- B. Entitlement to personal enrichment by directors.
- C. Making secret profit.
- D. None of the above.

1.2. Which title is similar to an independent director?

- A. Executive Director.
- B. *De facto* Director.
- C. Non-Executive Director.
- D. None of the above.

1.3. What is the main function of the Board of Directors?

- A. It's the supreme decision making body in a company?
- B. To pay bills and utilities.
- C. To take care of the welfare of employees.
- D. None of the above.

1.4. Who is the chief legal adviser in a company?

- A. Director.
- B. Auditor.
- C. Company Secretary.
- D. None of the above.

1.5. Who is the chief financial consultant in a company?

- A. Auditor.
- B. Director.
- C. Company Secretary.
- D. All of the above.

1.6. How may the independence of an Auditor be compromised?

- A. Engagement of an Auditor for a limited period not exceeding two terms.
- B. Engaging an external Auditor.
- C. Continuously engaging the same Auditor for a prolonged period.
- D. None of the above.

1.7. Who appoints an Audit Committee?

- A. Auditor.
- B. Company Secretary.
- C. Board of Directors.
- D. None of the above.

1.8. What is a Final Distribution Plan?

- A. Corporate Rescue Plan.
- B. Judicial Management.
- C. The final record prepared at conclusion of the liquidation process summarizing how the assets and liabilities of the company are serviced.
- D. None of the above.

1.9. What is a moratorium during corporate rescue?

- A. Settlement of preferential creditors.
- B. Temporary freeze on servicing liabilities to allow the company a reprieve to recover viability.
- C. When only secured creditors are settled.
- D. All of the above.

1.10. What circumstance may lead to corporate insolvency?

- A. Failure of corporate rescue procedure.
- B. Ability to pay debts and obligations when due and payable within six months from liability.
- C. Successfully negotiating a compromise plan between a company and its creditors.
- D. All of the above.

1.11. How is the protection of non-controlling interests in a company ensured under section **45** of the **Companies and Other Business Entities Act [Chapter 24:31]**.

- A. Minority shareholders make an application to the High Court to stop prejudicial conduct of company affairs.
- B. The Company Secretary makes an application to the High Court to dilute the prejudicial shareholding by the abusive majority shareholders and directors.
- C. Request by minority shareholders to the Registrar of Companies to investigate allegations of prejudicial conduct in the company's affairs and direct corrective measures to the company.
- D. None of the above.

1.12. Who may apply to the High Court for an order to stop prejudicial conduct to non-controlling interests in the conduct of the company's business affairs?

- A. *De facto* director of the company.
- B. Auditor.
- C. The Registrar of Companies.
- D. None of the above.

1.13. What is the minimum threshold required to initiate the protection of non-controlling interests in a company?

- A. Any individual minority shareholder can separately initiate the proceedings at will.
- B. Total aggregate shareholding by non-controlling interests must be at least five percent.
- C. Non-controlling interests above fifty percent total aggregate shareholding.
- D. None of the above.

1.14. Who issues a final liquidation order?

- A. Board of Directors.
- B. Audit Committee.
- C. The High Court.
- D. All of the above.

1.15. Who controls and administers a company during corporate rescue?

- A. Board of Directors.
- B. Liquidator.
- C. Corporate Rescue Practitioner.
- D. None of the above.

Question 2. [10 marks]

Discuss the ideal composition of the Board of Directors in a company? **[10 marks]**

SECTION B [60 marks]

Question 3. [20 marks]

Undertake an analysis of the concept of fiduciary duty under company law.

Make use of references. **[20 marks]**

Question 4. [20 marks]

Discuss the protection of non-controlling interests in company law under both **Section 45** and **Section 225** of the **Companies and Other Business Entities Act**. Fully reference your work.

[20 marks]

Question 5. [20 marks]

The legislation of Zimbabwe provide that all companies must submit tax returns to the Zimbabwe Revenue Authority in four Quarterly Payment Dates (QPDs). However, Sanctum Enterprises is in default on its tax obligations. It is now targeted by the Zimbabwe Revenue Authority and the Zimbabwe Republic Police for lack of transparency and compliance with legislation in its business activities. Further it has become apparent that the books of accounts for the company are also in disarray and there has been no accountability on financial records.

Identify the two key legal issues in company law that arise from these facts and discuss how the challenges facing Sanctum Enterprises could be avoided. **[20 marks]**

Question 6. [20 marks]

(a) To what extent is the directors' right to access loans permitted in a company?

[10 marks]

(b) Discuss the rights of directors in excluding the right to access loans from the company?

[10 marks]

END OF EXAMINATION PAPER