



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II FIRST SEMESTER EXAMINATION

COMPANY LAW I [BAC 2106]

JUNE 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions under **SECTION A (Compulsory)** and any **THREE** under **SECTION B**.
2. Begin each question on a new page.
3. Please indicate the study mode (Conventional/Block) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.
3. **Section A** carries 40 marks whilst each question in **Section B** carries 20 marks.
4. Candidates are allowed to bring a copy of the Companies and Other Business Entities Act [Chapter 24:31]

SECTION A: 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. What is incorporation of a company?

- A. Registration of a company by the registrar and issuing certificate of incorporation.
- B. Number of persons involved in a company and extent of involvement.
- C. The capital required to commence a company.
- D. None of the above.

2. Which one is an advantage of incorporating a company?

- A. Issuing a prospectus.
- B. Promoter.
- C. Formal recognition of business and enjoyment of limited liability.
- D. All of the above.

3. What is meant by constitutive documents of a company?

- A. Share Certificate.
- B. Memorandum and Articles of Association.
- C. Register of Directors and Company Secretaries.
- D. None of the above.

4. How long may the Registrar of Companies reserve the choice of company name?

- A. 75 days after approval.
- B. 6 months from date of approval.
- C. A period not exceeding one month after approval of the name.
- D. All the above.

5. Which statement refer to a public company?

- A. Prohibits invitation to the public to subscribe for any company shares.
- B. Limits the maximum number of its members to fifty.

- C. Its shares may be offered to the public and are freely transferrable.
- D. All the above.

6. Which statement is not reflecting the nature of a company limited by shares?

- A. Last word on company name is 'Limited'
- B. The memorandum shall have the term 'Private' as the penultimate word.
- C. A company having its liability limited to the amount the member undertakes to contribute.
- D. None of the above.

7. What is the legal personality of a company?

- A. Company limited by guarantee.
- B. Once a company is registered, it is afforded most rights as natural persons.
- C. Piercing the corporate veil.
- D. All of the above.

8. What is direct action by shareholders under shareholder protection?

- A. Derivative action by shareholders.
- B. All the damages received shall be the property of the company.
- C. Claim where the damage or breach to the company itself is claimed.
- D. Personal claim by the member of a company against the company and its office bearers.

9. Which statement capture the nature of articles of association?

- A. An external document of a company.
- B. Internal rules of a company.
- C. Nominal share capital by founding shareholders.
- D. None of the above.

10. What is a statutory meeting in company law?

- A. Annual general meeting of a company.
- B. Company meeting held biannually.

- C. Held between one and three months from entitled date to commence business.
- D. All the above.

11. Which one is a statutory book?

- A. Memorandum and Articles of Association.
- B. Date of annual general meeting.
- C. Company name and registration number.
- D. None of the above.

12. What best captures justification of winding up a company?

- A. Insolvency of a company.
- B. Special resolution by shareholders to wind up a company.
- C. Court order directing the company to be wound up due to fraud and illegal conduct.
- D. All of the above.

13. Which claim has priority during winding up a company?

- A. Unsecured Creditors.
- B. Secured Creditors.
- C. Preferential Creditors.
- D. None of the above.

14. What is the justification for judicial management?

- A. To liquidate, distribute company assets and ultimately dissolve the company.
- B. To enrich the judicial manager and his/her cronies.
- C. Resuscitation of a company in financial distress to ensure its ultimate survival.
- D. None of the above.

15. What is the effect of winding up a company on pending contracts?

- A. Automatically increases the claims payable to creditors.
- B. Contracts are not affected at all by winding up.

C. Suspends or terminates all pending contracts.

D. None of the above.

Question 2 (10 Marks)

(a) Explain any three advantages of incorporation. **(6 Marks)**

(b) Explain any two grounds for piercing the corporate veil. **(4 Marks)**

SECTION B: ANSWER ANY THREE QUESTIONS

Question 3. (20 marks)

(a) Explain the three reasons for prohibition of undesirable company name. **(6 marks)**

(b) Explain three actions by the Registrar upon registering the memorandum of association?
(6 marks)

(b) State and explain any three characteristics of a private company **(5 marks)**

(d) List any three features of a public company. **(3marks)**

Question 4. (20 marks)

(a) Explain the nature of memorandum of association in a company. **(7 marks)**

(b) Explain the nature of articles of association in a company. **(7 marks)**

(c) Briefly explain any three circumstances leading to a derivative action **(6 marks)**

Question 5. (20 marks)

(a) Discuss the Turquand Rule under both common and statute law. **(8 marks)**

(b) Identify and explain briefly any three agenda of an annual general meeting. **(6 marks)**

(c) Briefly explain an ordinary and special resolution in a company. **(6 marks)**

Question 6. (20 marks)

(a) Explain briefly any five statutory annual returns of a company. **(5 marks)**

(b) Explain any three maintenance requirements for statutory records in a company under legislation dealing with revenue under the Zimbabwe Revenue Authority. **(5 marks)**

(c) State and explain any three duties of a judicial manager. **(5 marks)**

(d) Identify any three grounds leading to cancellation of a judicial management order. **(5 marks)**

Question 7. (20 marks)

(a) Analyse any five grounds for winding up a company. **(5 marks)**

(b) Discuss in brief, the benefits of voluntary winding up of a company. **(5 marks)**

(d) Identify and explain any five roles of a liquidator during winding up. **(5 marks)**

(e) Evaluate any three effects of winding up on pending contracts and litigation. **(5 marks)**

END OF EXAMINATION PAPER