



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

COMPANY LAW 1 [BAC2106]

NOVEMBER 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions under **SECTION A (Compulsory)** and 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.
4. 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. 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.

1.1. Who is a promoter in company formation?

- A. The person who conceives the idea to form a company and takes preliminary steps to that effect.
- B. Prospectus.
- C. Certificate of incorporation.
- D. All of the above.

1.2. What is the right of promoters during company formation?

- A. Disclose hidden profits.
- B. Fiduciary relationship.
- C. Indemnity for expense incurred in setting up the company.
- D. None of the above.

1.3. When do pre-incorporation contracts become binding on a new company?

- A. Upon signing by the promoter and a third party.
- B. On ratification by the company once registered.
- C. At the choice of the third engaged with the promoter.
- D. All of the above.

1.4. How may choice of name of a company be prohibited as undesirable?

- A. Blasphemous or indecent name.
- B. Not identical to an existing company.
- C. Clear and unambiguous.
- D. None of the above.

1.5. What is the conclusive evidence that a company is incorporated?

- A. Appointment of directors.
- B. Assigning a registered number to the company.
- C. Issuance of certificate of incorporation.
- D. None of the above.

1.6. Which statement is correct about a public company?

- A. It restricts the right to transfer its shares.
- B. Limits the number of its members to fifty people.

- C. Prohibits any invitation to the public to subscribe for any shares in the company.
- D. Its shares may be offered to the public and are freely transferrable.

1.7. What is the characteristic of a company limited by share capital?

- A. It has no share capital.
- B. A company limited by guarantee.
- C. The liability of its members is limited to subscribed shares.
- D. All of the above.

1.8. What is the rule in the case of **Foss v Harbottle**?

- A. Any party connected to the company can institute legal proceedings on its behalf.
- B. The proper plaintiff rule, that is to say the company should vindicate its rights.
- C. Presumption of internal regularity to third parties engaged with the company.
- D. None of the above.

1.9. What is the name of the meeting held by members within three months from incorporation?

- A. Special Resolution.
- B. Annual General Meeting.
- C. Ordinary Meeting.
- D. Statutory Meeting.

1.10. Which statement do not align with the agenda of an Annual General Meeting?

- A. It is held once annually.
- B. It is held between one to three months from incorporation and commencement of operation.
- C. The meeting is called for at fourteen days' notice.
- D. All of the above.

1.11. What determines the decision of a meeting in a company?

- A. Executive Directors' vote only.
- B. The quorum and affirmative vote of majority present and entitled to vote.
- C. The dictates of minority shareholders.
- D. All of the above.

1.12. Which resolution is required to dissolve a company?

- A. Statutory Meeting.
- B. Ordinary Resolution.
- C. Special Resolution.
- D. None of the above.

1.13. Which is the example of a statutory record?

- A. Register of Mortgages and Charges.
- B. Register of allotment and transfer of shares.
- C. Register of debentures.
- D. Minutes of Meetings.

1.14. Who approves a final distribution plan at conclusion of liquidation?

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

1.15. Who has the least priority of claim?

- A. Secured Creditors.
- B. Unsecured Creditors.
- C. Preferential Creditors.
- D. All of the above.

Question 2

Evaluate the role of a promoter in formation of a company. Cite references. **[10 marks]**

SECTION B

Answer three questions from this section.

Question 3. [20 marks]

Distinguish between the Memorandum and Articles of Association. In your answer, refer to legislation, case law and authoritative tests. **[20 marks]**

Question 4. [20 marks]

(a) 'The rule in **Foss v Harbottle** is not cast in stone.'

Justify this assertion citing references. **[10 marks]**

(b) Evaluate the applicability of the **Turquand Rule** in Zimbabwe. **[10 marks]**

Question 5. [20 marks]

(a) Compare and contrast authorisation of shares and issuance of shares. **[10 marks]**

(b) What are the similarities and distinctive characteristics of a company limited by shares and a company limited by guarantee? **[10 marks]**

Question 6. [20 marks]

(a) With reference to the Customs and Excise Act [Chapter 23:02], the Income Tax Act [Chapter 23:06] and the Value Added Tax [Chapter 23:12], discuss the preparation, storage and maintenance of statutory records, books and annual returns in a company. **[10 marks]**

(b) Differentiate between a public and a private company. **[10 marks]**

END OF EXAMINATION PAPER