



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART II SECOND SEMESTER EXAMINATION

COMPANY LAW II [BAC2206]

APRIL 2024

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** questions under **SECTION A (Compulsory)** and any **THREE** questions of your choice under **SECTION B**.
2. Begin your answer to each question on a new page.
3. Please indicate the study format (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]**

This paper consists of five (5) printed pages including the cover page

SECTION A: [40 MARKS]

QUESTION 1 MULTIPLE CHOICE [30 MARKS]

For each of the following questions, select the letter that corresponds to the answer you consider to be correct.

1.1. What is a fiduciary duty?

- A. Avoid conflict of interest and ensure utmost good faith
- B. Care, diligence and skill
- C. Remuneration
- D. Right of directors to indemnity.

[2 Marks]

1.2. How are first directors of a company usually appointed?

- A. Extraordinary meeting
- B. Annual general meeting
- C. Articles of Association
- D. An order of the court.

[2 Marks]

1.3. Mrs. Luwoma wants to become a company director but has been declared insolvent by the High Court. She would be disqualified through:

- A. Fraud
- B. Insolvency
- C. Theft
- D. Lack of share capital

[2 Marks]

1.4. From the list below, which director is entitled to remuneration?

- A. Executive Director
- B. Non-executive Director
- C. Alternate Director
- D. *Defacto* Director

[2 Marks]

1.5. An example of compensation right of directors is:

- A. Payment for loss of office
- B. Access loans from the company
- C. Lien
- D. None of the above

[2 Marks]

- 1.6. Personal liability to director occurs:
- A. Through compensation
 - B. Continuing to act as a director once he/she has become unqualified
 - C. Acting *intra vires* the statutes
 - D. All of the above
- [2 Marks]**
- 1.7. Who appoints directors?
- A. Audit Committee
 - B. Company Secretary
 - C. Board of Directors
 - D. None of the above
- [2 Marks]**
- 1.8. Which of the following refer to a statutory duty of the company secretary?
- A. Recording and maintaining shareholder minutes
 - B. Liability for auditor
 - C. Remuneration
 - D. Compensation for loss of office
- [2 Marks]**
- 1.9. Accountability is likely to be ensured where:
- A. An auditor is involved in daily running of the company
 - B. The auditor enjoy independence in carrying duties of an auditor
 - C. The auditor also hold the office of executive director in the company
 - D. None of the above
- [2 Marks]**
- 1.10. Which statement is true of the duties of an auditor?
- A. Account to the Audit Committee
 - B. Financial oversight in a company
 - C. Report to the Board of Directors
 - D. All of the above
- [2 Marks]**
- 1.11. What is non-controlling interests in company?
- A. Power of the minority to convene annual general meeting
 - B. Members with little say and control over company decisions due to holding minority shares
 - C. Shareholder holding majority shares in a company
 - D. Power to veto company decisions
- [2 Marks]**

- 1.12. What is the justification for protecting non-controlling interests in company law?
- A. Stop prejudicial conduct of company affairs and remedy the loss likely to occur to non-controlling interests
 - B. To promote share dealing
 - C. To ensure the minority shareholders take over the control of the company
 - D. None the above
- [2 Marks]**

- 1.13. How can corporate insolvency occur?
- A. Failure to meet the company's financial and obligations to creditors when they become due and no compromise has been agreed with creditors
 - B. Failure to have liquid cash in the pocket
 - C. Ability of the company to settle its debts when they become payable
 - D. None of the above
- [2 Marks]**

- 1.14. Which statement sums up compulsory liquidation?
- A. Voluntary liquidation by members of the company
 - B. Compromise achieved
 - C. Company is forced to close down by an external part of the company being granted a final liquidation order by the High Court
 - D. None the above
- [2 Marks]**

- 1.15. An Administration Order should be served to:
- A. The Master of the High Court
 - B. The Registrar of Companies
 - C. The persons affected by it
 - D. All of the above
- [2 Marks]**

QUESTION 2 [10 MARKS]

State and explain in detail at least five duties of directors in a company. **[10 Marks]**

SECTION B [60 MARKS]

QUESTION 3 [20 MARKS]

- (a) Discuss the fiduciary duty of directors in company law. **[10 Marks]**
- (b) Explain the remuneration of directors in a company. **[5 Marks]**
- (c) Identify the liability of directors in a company **[5 Marks]**

QUESTION 4 [20 MARKS]

- (a) State and in brief explain the functions of an Audit Committee. **[5 Marks]**
- (b) Explain the duties of the Board of Directors in a company. **[8 Marks]**
- (c) Discuss the liability of the Board of Directors for actions by its directors. **[7 Marks]**

QUESTION 5 [20 MARKS]

- (a) State and briefly explain the qualification for appointment as a company secretary. **[5 Marks]**
- (b) State and briefly explain the duties of a company secretary. **[5 Marks]**
- (c) Briefly explain the liability of a company secretary. **[5 Marks]**
- (d) Discuss how the non-controlling interests in a company are protected. **[5 Marks]**

QUESTION 6 [20 MARKS]

- (a) Explain the qualifications for appointment of an Auditor. **[4 Marks]**
- (b) Describe in brief the duties of an auditor in a company. **[4 Marks]**
- (c) State and explain in brief the rights of an auditor in a company. **[4 Marks]**
- (d) Briefly explain corporate insolvency under company law. **[4 Marks]**
- (e) Briefly explain any four roles of a liquidator during liquidation of a company. **[4 Marks]**

END OF EXAMINATION PAPER