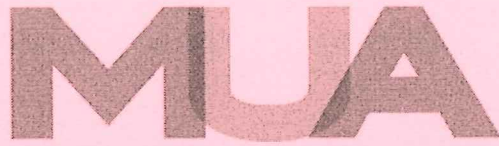


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF MANAGEMENT AND  
LEADERSHIP/BACHELOR OF COMMERCE**

**BML 210/BCM 223:            COMPANY LAW**

**DATE:                            1<sup>ST</sup> APRIL 2025**

**DURATION:    2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

Read the Case Study below carefully and answer the questions that follow:

**DUNHILL LIMITED**

Dunhill Limited was previously incorporated as Duntown Limited and registered 2000 with the following as initial four subscribers: Martin, Monicah, George and David each with one share. Sometime in 2010, the members of the Company at the Annual General Meeting increased the shareholding of the Company to 500 shares of Kshs. 1,000 each making the nominal share capital Kshs. 500,000 as follows;

NAME	POSITION	ORDINARY SHARES
MARTIN	SHAREHOLDER	100
GEORGE	SHAREHOLDER	150
MONICAH	DIRECTOR/SHAREHOLDER	150
DAVID	DIRECTOR/SHAREHOLDER	100

George passed away in 2014 while Martin passed away in 2017 whereupon their shareholding passed to their respective estates. The shareholding and nominal share capital of the Company remained intact as no changes were sanctioned. Following the death of Martin, David has been involved in running the Company.

In May 2022, Monica learnt that the Company Secretary had filed the Company's annual returns showing that David was the majority shareholder of the Company with 3,100 shares and that the nominal share capital had increased to Kshs. 5,000,000.00. This position was confirmed by the certificate of search issued by the Registrar of Companies dated 27 May 2022.

Monica is aggrieved because the changes in the Company shareholding structure were effected without the involvement of the shareholders and directors. Monica has asked for answers and her demands for rectification of the register has gone unanswered.

In the meantime, David has called a special meeting of the Company where he intended to discuss a buyout of other shareholders, and she is against such a request.

She has also learned that David conflicts with his duties as a director of DUNHILL LIMITED as he had incorporated a parallel company, DAWSON LIMITED, where he is the sole director and shareholder. Dawson is the name of the single largest toiletry processed and sold by DUNHILL LIMITED.

**Required:**

- a) Explain to Monica the procedure of increasing the shareholding of a private company. (5 marks)
- b) Describe five characteristics of ordinary shareholding. (10 marks)
- c) Examine the five duties of the directors of Dunhill Limited. (5 marks)
- d) Discuss three items on the agenda of the Annual General Meeting. (5 marks)

**QUESTION TWO**

- a) A notice was issued purporting to postpone the holding of a general meeting of shareholders which had previously been duly convened. Amos, a Director of the Company attended the meeting and argued that the articles did not provide for the postponement of a validly convened meeting. Explain the law relating to postponing general meetings. (5 marks)
- b) The promoters of a proposed company have freedom to choose its name but the freedom is limited by the law. Explain (10 marks)

**QUESTION THREE**

- a) Watertight Engineering will be holding a Board meeting in preparation for the Annual General Meeting. Explain to the Board the procedure for payment of dividends. (10 marks)
- b) The law provides that "from the date of incorporation mentioned in the certificate of incorporation the subscribers to the memorandum of association... shall be a body corporate by the name contained in the memorandum" Explain the legal implication. (5 marks)

**QUESTION FOUR**

- a) Elaborate on any **five** ways a person's membership of a company may cease or come to an end. (10 marks)
- b) Discuss any restrictions on the transferability of shares of a private company in Kenya. (5 marks)

**QUESTION FIVE**

"Compulsory liquidation commences when a petition is presented to the High Court of Kenya." In view of the statement,

- a) Identify the persons who can present the petition. (5 marks)
- b) Discuss any **five** grounds for compulsory liquidation by the Court. (10 marks)

**QUESTION SIX**

- a) Explain three common law rules relating to allotment of shares. (6 marks)
- b) Distinguish between companies limited by shares and companies limited by guarantee. (9 marks)