PAN AFRICA CHRISTIAN UNIVERSITY

BUS 2413/CAC404: COMPANY LAW ONLINE EXAM

DATE: TIME:

ANSWER QUESTION ONE AND ANY OTHER THREE

QUESTION 1 (COMPULSORY) (10 MARKS)

(a) Read the case study below and answer the questions that follow.

Case Study: The Troubled Tech Startup

Scenario:

TechNova, a promising tech startup, has been experiencing significant challenges. The company's founders, Alex and Ben, have fallen out over strategic direction, leading to internal disputes. Additionally, the company has been facing financial difficulties due to a failed product launch and increased operational costs.

Key Issues:

- **Shareholder Disputes:** Disagreements between Alex and Ben have escalated, hindering decision-making and affecting the company's overall performance.
- **Financial Distress:** The company is facing liquidity issues and may default on its loan obligations.
- **Corporate Governance Concerns:** The board of directors has been passive and ineffective in addressing the company's problems.

Questions:

(i) Outline **TWO** potential legal implications of the shareholder dispute for TechNova. **(2 Marks)**

(ii) Explain **TWO** strategies that TechNova can use to address its financial difficulties and avoid insolvency. **(4 Marks)**

(iii) Discuss **TWO** potential legal consequences of the company's failure to meet its financial obligations. **(4 Marks)**

QUESTION 2 ***(10 MARKS)***

(a) KNT Limited is in the process of listing at the Nairobi Securities Exchange. Advise the management on any **TWO** ways in which they can list on the various segments of the capital market. **(2 Marks)**

(b) Differentiate between a partnership and a company and give an example of each. **(4 Marks)**

(c) Jesse attended a workshop in Company Law. Explain any **TWO** characteristics of a company that were discussed during the workshop. **(4 Marks)**

QUESTION 3 ***(10 MARKS)***

(a) Porte Limited intends to raise funds through the public. Outline any **TWO** methods of public issue that they may use to achieve this goal. **(2 Marks)**

(b) Lenny is in the process of starting a company. Explain **TWO** advantages that he will derive from such a move. **(4 Marks)**

(c) Discuss, with an example for each, **TWO** types of capital as used in Company Law. **(4 Marks)**

QUESTION 4 ***(10 MARKS)***

(a) Agency Limited is in the process of being wound up. Explain **TWO** circumstances that may warrant such a move. **(4 Marks)**

(b) Discuss the following types of company meetings:

(i) Statutory Meeting; **(2 Marks)**

(ii) Annual General Meeting; **(2 Marks)**

(iii) Extraordinary General Meeting. **(2 Marks)**

QUESTION 5 ***(10 MARKS)***

(a) Marx Enterprise, a new start up, is preparing to appoint its directors. As a consultant, explain to them the various stages of appointment of a director in a company. **(5 Marks)**

(b) Mary wants to prepare a Memorandum of Association for her company. Briefly explain any **FIVE** clauses that she should include in the document. **(5 Marks)**

QUESTION 6 ***(10 MARKS)***

(a) Explain **TWO** factors that an entrepreneur needs to consider when deciding to incorporate a company. **(4 Marks)**

(b) Capital Markets Authority is an important entity in the lives of public limited companies. Discuss any **THREE** of its regulatory functions in a company. **(6 Marks)**

End of Exam