



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

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AUGUST - DECEMBER 2018 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF MARKETING AND MANAGEMENT

REGULAR PROGRAMME

CMM 411: COMPANY LAW

Date: DECEMBER 2018

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) What do you understand by the concept of Corporate Personality?
(10 marks)
- b) John and Joyce are brother and sister and have been running the family business RIX Ltd for ten years. They both sit on the Board of Directors of Rix Ltd and each holds 30% of the shares in the company. The remaining shares are held equally by their father, Joel and Uncle Oloo. Joel and Oloo used to run the company but have now retired. They still have seats on the Board of Directors for the first few years after their retirement the company made an annual profit of approximately Ksh. 100,000/=. After that, the profits declined for three years and in the last two years the company has made losses of Ksh. 50,000/= and Ksh. 100,000/= . John and Joyce have grave concerns about the future of the business but at a Board meeting to discuss ceasing trading Jim and Oloo insist that things will get better. The Board resolves to continue trading. Consider the implications for the Board of this decision. **(10 marks)**
- c) 'A Promoter is not an agent or trustee of the company which he promotes, but he stands in a fiduciary position towards it.' Comment on this statement bringing out clearly the powers and liabilities of a promoter. **(10 marks)**

- Q2. Every registered company must have a Constitution. Explain the contents of the constitution and each Clause's legal significance. **(20 Marks)**
- Q3. Who is a Director? Discuss the various duties owed by Directors and the consequences of breach. **(20 Marks)**
- Q4. With the use of relevant judicial decisions and statutory provisions, discuss veil lifting situations. **(20 Marks)**

END