TECHNICAL UNIVERSITY OF MOMBASA

School of Business
Department of Business Administration
UNIVERSITY EXAMINATION FOR:
BACHELOR OF SUPPLY CHAIN MANAGEMENT
BMG 4303: COMPANY LAW
END OF SEMESTER EXAMINATION
SERIES: APRIL 2025
TIME: 2 HOURS
DATE: 6 May 2025

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of ChoosFIVE e No questions. Attempt Question 1 and any other two questions.
Do not write on the question paper

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Question ONE

Mr. Mwaura and five other people teamed up in 2016 and formed a corporation for processing and milling grains. They preferred to incorporate it as a private company called Mashariki Millers co. Ltd. The company was a going concern until July 2022 that it failed to pay instalments for a loan it obtained from Blue Commercial Bank plc. It failed to pay debentures and defaulted on another loan secured by real estate belonging to the company. Wakulima Famers Cooperative Society was owed twenty-two million shillings by the company for deliveries of grain that has not been paid for eight months have threatened to sue the company on grounds of violation of contract. The chairman of the board of directors, Mr. Mwaura, has tried talking to the creditors in vain. He began to think of winding up of the company because of the threats by the creditors. They threatening to sue the company to get relief.

a) You have been appointed to the Boad of Directors of Mashariki Millers Co. Ltd. The other Board members have asked you to explain to them the process of winding up of a company. Explain to them five circumstances under which the court may order compulsory winding up. (10 marks)

b) (i) Explain the importance of the doctrine of indoor management in matters involving companies. (2 marks)

(ii) Highlight four exceptions to the doctrine of indoor management. (8 marks)

c) Companies differ in their internal features. In view of this statement, explain the differences between public company limited by shares and a private company limited by shares. (10 marks)

Question TWO

a) Explain five legal consequences of incorporation. (10 marks)

b) There are different ways of incorporating business in Kenya. Explain five classifications of companies which may exist lawfully in Kenya. (10 marks)

Question THREE

a) A company registered recently has started offering its shares to investors. Explain five ways in which shares are offered for subscription. (10 marks)

b) Outline significances of five clauses of a memorandum of association of a private company limited by shares. (10 marks)

Question FOUR

a) Outline five differences between ordinary shares and reference shares. (10 marks)

b) (i) State four clauses of articles of association. (4 marks)

(ii) Briefly explain the doctrine of ultra vires. (6 marks)

Question FIVE

a) Corporate personality does not grant absolute immunity to the members of a company. Explain five conditions under which the corporate veil may be disregarded by a court of law. (10 marks)

b) (i) Define the term promoter. (2 marks)

(ii) A promoter is bound by some legal duties during and after the formation of a company. Explain four common law duties which the promoter must have regard to. (8 marks)