TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Business Administration

UNIVERSITY EXAMINATION FOR:

DEGREE OF BACHELOR OF SUPPLY CHAIN MANAGEMENT

BMG 4303: COMPANY LAW

SPECIAL /SUPPLEMENTARY EXAMINATION

SERIES: JULY 2025

TIME: 2 HOURS

DATE: July 2025

Instructions to Candidates
You should have the following for this examination
-Answer Booklet, examination pass and student ID
This paper consists of Choose No questions. AttemptChoose instruction.
Do not write on the question paper.

Question ONE

(a) Mr. Kitsao is a supplier of seafoods. He made a contract to supply fresh seafoods with Mavueni Restaurant ltd. The contract is signed by Mr. Kitsao and two directors of the board of Mavueni Restaurants ltd. Three months later, it emerges that the contract was signed by the two directors contrary to the agreement by the board of five directors that, at least three directors out of the five must sign contracts of supplies. This was agreed upon by the board of directors in one of their meetings and was recorded in their minutes. Mr. Kitsao sued the company for failing to uphold the contract but the company is adamant that it is not bound by the contract because it was not signed by at least three of the directors as evidenced by their internal memo based on their agreement.

Required:

(i) Explain the doctrine of indoor management in relation to the contract between Mavueni Restaurants Ltd and Mr. Kitsao. (4 mark)

(ii) Explain how the Turquand Rule may apply in the matter of *Kitsao V Savana Restaurants Ltd.* (6 marks)

(b) Company law is not a self-contained body of legal learning. Branches of law such as law of contract, law of tort, law of persons and law of property can also be drawn upon whenever that is necessary to find rules for the regulation and adjudication of matters involving companies. With regard to this statement, explain five sources of authoritative law regulating matters regarding the management of registered companies. (10 marks)

(c) Companies Act 17 2015 provides for the legal procedures for the formation of companies limited by share.

(i) Analyse the legal meaning of shares. (2 marks)

(ii) Explain four characteristics of shares recognised by law. (8 marks)

Question TWO

(a) With regard to company law:

(i) Explain the meaning of articles of association. (2 marks)

(ii) Identify four clauses of articles of association. (4 marks)

(iii) Briefly explain two reasons why articles of association may be referred to as the constitution of a company. (4 marks)

(b) The process of incorporation of a limited company involves due registration by the Registrar. Explain five legal consequences of registration of a company as prescribed by the Companies Act 17, 2015. (10 marks)

Question THREE

(a) Ms Habiba is a new entrepreneur with an intention to establish a private company for brick manufacturing. She intends to invite her four friends and one cousin to be members of the company. Ms. Habiba is wondering how she can be paid for the work of incorporating the company. Advise her on five lawful ways the company can reward her for her effort and time.

(b) (i) Briefly explain the nature of a general meeting. (4 marks)

ii) Distinguish between a general meeting and a class meeting. (2 marks)

(iii) With regard to law regulating companies, outline the legal position of a company director. (4 marks)

Question FOUR

(a) Companies are required to appoint directors to manage their affairs. Explain five types of directors which may be duly appointed by members of a registered company. (10 marks)

(b) The difference between types of shares is a matter regulated by law. Explain five differences between equity share and preference share in the light of company law. (10 marks)

Question FIVE

(a) Explain the meaning of each one of the following terms in relation to matters of companies:

(i) deregistration (2 marks)

(ii) winding up (2 marks)

(iii) liquidation (2 marks)

(iv) Outline four reasons that may cause the High Court to order the closing of a company. (4 marks)

(b) (i) Outline five duties of a member of the board of directors of a registered company. (5 marks)

(ii) Give five instances where a person seeking appointment to a company board may fail to meet the requirement of moral uprightness. (5 marks)