

2804/306
COMPANY LAW
March/April 2025
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN ACCOUNTANCY

COMPANY LAW

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of SEVEN questions.
Answer any FIVE questions in the answer booklet provided.
All questions carry equal marks.
Candidates should answer the questions in English.*

This paper consists of 3 printed pages.

**Candidates should check the question paper to ascertain that
all the pages are printed as indicated and that no questions are missing.**

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Turn over

1. (a) Outline **six** ordinary business discussed in an annual general meeting of a public company. (12 marks)
- (b) Rimy Limited issued shares to the general public and received the application money. During the 1st and 2nd calls, Daudi, a shareholder, failed to pay money due from the calls. The Company wrote to him, asking him to pay but Daudi failed. The Company subsequently forfeited his shares and removed his name from the register of members. Daudi intends to appeal the decision of the Company.

Explain the **legal principles** applicable in this case. (8 marks)
2. (a) Explain **four** circumstances under which an external auditor may be held criminally able. (8 marks)
- (b) Explain **six** reasons that may make a company alter the Memorandum of Association (12 marks)
3. (a) Outline **five** duties of a liquidator of a public limited company. (10 marks)
- (b) Jacky Manufactures was recently incorporated as a public limited company. Explain **five** benefits that may accrue to the company from such a move. (10 marks)
4. (a) There are certain provisions designed to protect the interests of minority shareholders in a company. Explain **five** instances when such provisions apply. (10 marks)
- (b) Explain **five** defences that a director of a company may plead over a mis-statement in a prospectus (10 marks)
5. (a) Explain **five** differences between a public limited company and a private limited company. (10 marks)
- (b) Mbay Limited intends to apply for registration of a business name separate from the name of incorporation. Highlight **five** details to be included in the application. (10 marks)
6. (a) Explain **five** instances when a company may undertake share capital reduction. (10 marks)
- (b) The main object of Zebra Limited is manufacturing wheelbarrows. However, the Directors of the company entered into a contract with X Motors for selling motor vehicles on behalf of X Motors. Zebra sold two such vehicles but failed to remit the proceeds.

Explain the **legal principles** applicable in this case. (10 marks)

7. (a) Explain five conditions that should be satisfied to lift the veil of incorporation under judicial interpretation. (10 marks)
- (b) Explain five effects of the registration of the Articles of Association of a Company. (10 marks)

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