



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ACCOUNTING, FINANCE AND HUMAN CAPITAL MANAGEMENT

EXAMINATION PAPER

COURSE CODE : CAC 213
COURSE TITLE : Company Law
SPECIAL REQUIREMENTS : NONE
DURATION : 3 Hours
LEVEL : 2.1
DATE : 10 APR 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer **all** questions in Section A and **any 4** questions in Section B.
4. The number of marks for each question or part question is shown in brackets
5. Begin each answer on a new page.
6. **DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR INSTRUCTS YOU.**

Section A

Answer all questions (Each question carries 2 Marks)

Select the most appropriate answer

- 1) There are a number of differences between a public company and a private company. Which one of the following is NOT a valid difference?
 - A. A public company must appoint a company secretary, whereas a private company is not required to appoint a company secretary.
 - B. A private company must be formed with one director, whereas a public company must have at least two directors.
 - C. Public companies may offer their shares to the public, whereas private companies may not.
 - D. A public company must have at least two members, whereas a private company need only have one member.

- 2) To whom do directors owe the duty of utmost good faith (*uberrimae fidei*)?
 - A. Employees of the company
 - B. Shareholders of the company
 - C. The company itself
 - D. The public

- 3) What is 'limited liability?'
 - A. Limited liability refers to how much the directors have to contribute in the event of the company becoming insolvent.
 - B. Limited liability refers to the ability of a member to limit his liability.
 - C. Limited liability refers to the directors' ability to limit their liability for acts of negligence, fraud etc.
 - D. Limited liability refers to the ability of a company to limit its liability.

- 4) When does a company come into existence?

- A. When it receives a certificate of incorporation
 - B. When it receives a certificate to commence business
 - C. When the articles and memorandum of association have been finalised
 - D. None of the above
- 5) Which of the following does the ultra vires doctrine apply to?
- A. Delegated legislation only
 - B. Delegated legislation and judicial precedent
 - C. Judicial precedent only
 - D. Primary legislation and delegated legislation
- 6) In relation to company law which among the following is normally guaranteed a dividend?
- A. Preference shares
 - B. Ordinary shares
 - C. Debentures secured by a fixed charge
 - D. Debentures secured by a floating charge
- 7) Which of the following must be used to remove an auditor from office?
- A. An ordinary resolution
 - B. An ordinary resolution with special notice
 - C. A special resolution
 - D. A written resolution
- 8) In the context of Zimbabwean company law which of the following will happen if a company ceases to have any members?
- A. Compulsory liquidation
 - B. Voluntary liquidation
 - C. Judicial Management
 - D. Investigation of the company's affairs as provided for under the COBE's Act

- 9) What is the primary objective in placing a company under judicial management?
- A. To protect the company and give it a second chance to operate as a going concern
 - B. To give shareholders a chance to acquire a dividend.
 - C. To give employees their full salaries and benefits
 - D. To return the company to full profitability so that it can pay its taxes
- 10) Which companies must convene statutory meetings?
- A. Public companies only
 - B. All companies
 - C. Public companies and private companies limited by shares only.
 - D. None of the above

[Total 20 marks]

Section B (80 marks)

Answer any 4 questions, each question carries 20 marks.

Question 1

“A company can be under complete control of and its activities entirely dictated by another person, but that does not deprive it of its distinct legal personality” per Goldin J in **Cres (Pvt) Ltd Woodpecker Industries (Pvt) Ltd.**

Required:

To what extent does the ghost of **Salomon v Salomon** rule from the grave? **[20 marks]**

Question 2

The articles of Baba naMai Ltd, authorise the board of directors to delegate to the managing directors such matters as they think fit to him, except that any purchase of equipment over \$4 million requires the consent of the board as a whole. In fact, no managing director has ever been appointed as such but the other directors Gladys and Ruvimbo consistently allowed Hove to act as such. Hove has in fact ordered for and has had supplied to the company \$5 million worth of equipment from Baba naMai Ltd without reference to the board.

The company has refused to pay for the equipment on the basis of lack of authority on the part of Hove.

Advise Baba naMai who have never read the company's articles. **[20 marks]**

Question 3

At a meeting of Oxy limited, it was agreed that the share capital of Oxy limited be increased. Soon after the meeting, the company Secretary lodged the notice of a resolution with the Registrar of companies.

Required

a) State with reason what type of meeting this was and who was eligible to attend.

(5 marks)

b) State with reason what type of resolution was passed at a meeting.

(5 marks)

c) Assuming that the company's articles are silent on this aspect, what minimum number of attendees at a meeting is required to pass the resolution to alter the share capital and what other conditions have to be met.

(5 marks)

d) Clearly distinguish between a General meeting and an extra ordinary meeting.

(5 marks)

[Total 20 marks]

Question 4

Discuss the principles of law in the case of **Foss v Harbottle**.

[20 marks]

Question 5

Explain the following:

i. The difference between a creditor's voluntary winding up and a member's voluntary winding up.

(5 marks)

ii. The purpose of a statutory meeting.

(5 marks)

iii. Judicial management

(5 marks)

iv. The purpose and characteristics of a special resolution.

(5 marks)

[Total 20 marks]

END OF EXAMINATION QUESTION PAPER