

CPA

Certified Public Accountant Examination

Stage: Intermediate 1.3

Subject Title: Company Law

Revision Guide



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STUDY TECHNIQUE

What is the best way to manage my time?

- **Identify all available free time between now and the examinations.**
- **Prepare a revision timetable with a list of “*must do*” activities.**
- **Remember to take a break (approx 10 minutes) after periods of intense study.**



What areas should I revise?

- **Rank your competence from Low to Medium to High for each topic.**
- **Allocate the least amount of time to topics ranked as high.**
- **Allocate between 25% - 50% of time for medium competence.**
- **Allocate up to 50% of time for low competence.**

How do I prevent myself veering off-track?

- **Introduce variety to your revision schedule.**
- **Change from one subject to another during the course of the day.**
- **Stick to your revision timetable to avoid spending too much time on one topic.**

Are study groups a good idea?

- **Yes, great learning happens in groups.**
- **Organise a study group with 4 – 6 people.**
- **Invite classmates of different strengths so that you can learn from one another.**
- **Share your notes to identify any gaps.**

EXAMINATION TECHNIQUES

INTRODUCTION

Solving and dealing with problems is an essential part of learning, thinking and intelligence. A career in accounting will require you to deal with many problems.

In order to prepare you for this important task, professional accounting bodies are placing greater emphasis on problem solving as part of their examination process.

In exams, some problems we face are relatively straightforward, and you will be able to deal with them directly and quickly. However, some issues are more complex and you will need to work around the problem before you can either solve it or deal with it in some other way.

The purpose of this article is to help students to deal with problems in an exam setting. To achieve this, the remaining parts of the article contain the following sections:

- Preliminary issues
- An approach to dealing with and solving problems
- Conclusion.

Preliminaries

The first problem that you must deal with is your reaction to exam questions.

When presented with an exam paper, most students will quickly read through the questions and then many will ... **PANIC!**

Assuming that you have done a reasonable amount of work beforehand, you shouldn't be overly concerned about this reaction. It is both natural and essential. It is natural to panic in stressful situations because that is how the brain is programmed.

Archaeologists have estimated that humans have inhabited earth for over 200,000 years. For most of this time, we have been hunters, gatherers and protectors.

In order to survive on this planet we had to be good at spotting unusual items, because any strange occurrence in our immediate vicinity probably meant the presence of danger. The brain's natural reaction to sensing any extraordinary item is to prepare the body for 'fight or flight'. Unfortunately, neither reaction is appropriate in an exam setting.

The good news is that if you have spotted something unusual in the exam question, you have completed the first step in dealing with the problem: its identification. Students may wish to use various relaxation techniques in order to control the effects of the brain's extreme reaction to the unforeseen items that will occur in all examination questions.

However, you should also be reassured that once you have identified the unusual item, you can now prepare yourself for dealing with this, and other problems, contained in the exam paper.

A Suggested Approach for Solving and Dealing with Problems in Exams.

The main stages in the suggested approach are:

1. Identify the Problem
2. Define the Problem
3. Find and Implement a Solution
4. Review

1. Identify the Problem

As discussed in the previous section, there is a natural tendency to panic when faced with unusual items. We suggest the following approach for the preliminary stage of solving and dealing with problems in exams:

Scan through the exam question

You should expect to find problem areas and that your body will react to these items.

PANIC!!

Remember that this is both natural and essential.

Pause

Take deep breaths or whatever it takes to help your mind and body to calm down.

Try not to exhale too loudly – you will only distract other students!

Do something practical

Look at the question requirements.

Note the items that are essential and are worth the most marks.

Start your solution by neatly putting in the question number and labelling each part of your answer in accordance with the stated requirements.

Actively reread the question

Underline (or highlight) important items that refer to the question requirements. Tick or otherwise indicate the issues that you are familiar with. Put a circle around unusual items that will require further consideration.

2. Define the Problem

Having dealt with the preliminary issues outlined above, you have already made a good start by identifying the problem areas. Before you attempt to solve the problem, you should make sure that the problem is properly defined. This may take only a few seconds, but will be time well spent. In order to make sure that the problem is properly defined you should refer back to the question requirements. This is worth repeating: Every year, Examiner Reports note that students fail to pass exams because they do not answer the question asked. Examiners have a marking scheme and they can only award marks for solutions that deal with the issues as stipulated in the question requirements. Anything else is a waste of time. After you have re-read the question requirements ask yourself these questions in relation to the problem areas that you have identified:

Is this item essential in order to answer the question?

Remember that occasionally, examiners will put ‘red herrings’ (irrelevant issues) into the question in order to test your knowledge of a topic.

What’s it worth?

Figure out approximately how many marks the problem item is worth. This will help you to allocate the appropriate amount of time to this issue.

Can I break it down into smaller parts?

In many cases, significant problems can be broken down into its component parts. Some parts of the problem might be easy to solve.

Can I ignore this item (at least temporarily)?

Obviously, you don’t want to do this very often, but it can be a useful strategy for problems that cannot be solved immediately.

Note that if you leave something out, you should leave space in the solution to put in the answer at a later stage. There are a number of possible advantages to be gained from this approach:

- 1) It will allow you to make progress and complete other parts of the question that you are familiar with. This means that you will gain marks rather than fretting over something that your mind is not ready to deal with yet.
- 2) As you are working on the tasks that you are familiar with, your mind will relax and you may remember how to deal with the problem area.
- 3) When you complete parts of the answer, it may become apparent how to fill in the missing pieces of information. Many accounting questions are like jigsaw puzzles: when

you put in some of the parts that fit together, it is easier to see where the missing pieces should go and what they look like.

3. Find and Implement a Solution

In many cases, after identifying and defining the problem, it will be easy to deal with the issue and to move on to the next part of the question. However, for complex problems that are worth significant marks, you will have to spend more time working on the issue in order to deal with the problem. When this happens, you should follow these steps:

Map out the problem

Depending on your preferred learning style, you can do this in a variety of ways including diagrams, tables, pictures, sentences, bullet points or any combination of methods. It is best to do this in a working on a separate page (not on the exam paper) because some of this work will earn marks. Neat and clearly referenced workings will illustrate to the examiner that you have a systematic approach to answering the question.

Summarise what you know about the problem

Make sure that this is brief and that it relates to the question requirements. Put this information into the working where you have mapped out the problem. Be succinct and relevant. The information can be based on data contained in the question and your own knowledge and experience. Don't spend too long at this stage, but complete your workings as neatly as possible because this will maximise the marks you will be awarded.

Consider alternative solutions

Review your workings and compare this information to the question requirements. Complete as much of the solution as you can. Make sure it is in the format as stipulated in the question requirements. Consider different ways of solving the problem and try to eliminate at least one alternative.

Implement a solution

Go with your instinct and write in your solution. Leave extra space on the page for a change of mind and/or supplementary information. Make sure the solution refers to your workings that have been numbered.

4. Review

After dealing with each problem and question, you should spend a short while reviewing your solution. The temptation is to rush onto the next question, but a few moments spent in

reviewing your solution can help you to gain many marks. There are three questions to ask yourself here:

Have I met the question requirements?

Yes, we have mentioned this already. Examiner Reports over the years advise that failure to follow the instructions provided in the question requirements is a significant factor in causing students to lose marks. For instance, easy marks can be gained by putting your answer in the correct format. This could be in the form of a report or memo or whatever is asked in the question. Likewise, look carefully at the time period requested. The standard accounting period is 12 months, but occasionally examiners will specify a different accounting period.

Is my solution reasonable?

Look at the figures in your solution. How do they compare relative to the size of the figures provided in the question?

For example, if Revenue were 750,000 and your Net Profit figure was more than 1 million, then clearly this is worth checking.

If there were some extraordinary events it is possible for this to be correct, but more than likely, you have misread a figure from your calculator. Likewise, the depreciation expense should be a fraction of the value of the fixed assets.

What have I learned?

Very often in exams, different parts of the solution are interlinked. An answer from one of your workings can frequently be used in another part of the solution. The method used to figure out an answer may also be applicable to other parts of your solution.

Conclusion

In order to pass your exams you will have to solve many problems. The first problem to overcome is your reaction to unusual items. You must expect problems to arise in exams and be prepared to deal with them in a systematic manner. John Foster Dulles, a former US Secretary of State noted that: *The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year.* We hope that, by applying the principles outlined in this article, you will be successful in your examinations and that you can move on to solve and deal with new problems.

Stage: INTERMEDIATE LEVEL
Subject Title: **I1.3 COMPANY LAW**

Examination Duration: 3 Hours

Assessment Strategy

Examination Approach

Students are expected to demonstrate a detailed critical understanding of, and the ability to apply, the legal principles and concepts studied. They are required to analyse practical situations and apply the correct legal principles, supporting their answers with relevant case law, statutory provisions or best practice guidelines, as appropriate. Students are also expected to demonstrate clear logical thinking, excellent written communication skills and the ability to integrate learning from this and other syllabi.

Examination Format

The assessment is by an unseen closed book examination of 3 hours' duration. The paper is divided into two sections.

In Section A students are required to answer 2 compulsory 25 marks questions and one question from the other two 20 mark questions.

In Section B students are required to answer one question from two. In summary, students are required to answer a total of 4 questions out of 6.

Marks Allocation

Section A

Questions 1 and 2, compulsory,
(25 Marks each)

Questions 3 and 4, answer either,
but not both.

Section B

*Questions 5 and 6, answer either,
but not both.*

Marks

50

20

30

Total 100

CPA Syllabus 2012: Corporate Laws and Governance

Learning Resources

Core Texts

Keane / Company Law, 4th revised edition /
Tottel 2007 / ISBN 9781845922986.

Courtney / The Law of Private Companies, 2nd
edition / Tottel 2002 / ISBN/ISSN 1854752650.

Cahill / Company Law and Enforcement / Tottel
2008 / ISBN 9781845921057.

White / Commercial Law / Thomson Round Hall
2003 / ISBN 9781858003108.

Forde / Commercial Law, 3rd edition / Tottel
2005/ ISBN/ISSN 1845922034.

MacDonnell / An Introduction to Business Law /
CAI 2010 / ISBN 9781907214608

Manuals

11.3 Company Law – Institute of Certified Public Accountants of Rwanda

Useful Websites

(as of date of publication)

www.icparwanda.com

<http://www.rse.rw/>

<http://org.rdb.rw/>

<http://rwanda.eregulations.org/show-step.asp?l=en&mid=1&rid=2>

http://www.amategeko.net/display_rubrique.php?ActDo=ShowArt&Information_ID=871&Parent_ID=3069954&type=public&Langue_ID=An&rubID=3069955

<http://www.rra.gov.rw/>

www.clrg.org - Company Law Review Group.

www.ifac.org/ - International Federation of
Accountants.

REVISION QUESTIONS AND SOLUTIONS

Stage: Intermediate 1.3
Subject Title: Company Law

QUESTION 1

What are the main differences between a private and a public company?

SOLUTION 1

The main differences between a private and a public company

- a) ***Purpose:*** public company and private companies fulfill different economic purposes. The purpose of a public company is to raise capital from the public to run the enterprise. This ability to offer shares to the public is now the only advantage of a public company. The purpose of a private company is to confer separate legal personality on the business of a sole trader or partnership.
- b) ***Issue of capital:*** A private company may not raise capital by issuing its securities to the public. There is no restriction on the offer of securities by a public company. A public company must, however, issue a prospectus (a document which gives minimum essential information to potential members).
- c) ***Transferability of shares:*** the shares of a public company are freely transferable. A private company will, in contrast, wish to remain under the control of the family or partners concerned. Its articles will therefore contain a clause restricting the right to transfer shares.

QUESTION 2

Describe Redemption of Shares

SOLUTION 2

It is an operation whereby a company becomes the purchaser of its own Shares, in order to reduce its capital.

This acquisition can be done either by the company's choice or by that of the shareholders. A redemption of share upon the company's own initiative shall be deemed to be an acquisition by the company of the share and a distribution of dividends (art.112).

Where a share is redeemable at the option of the shareholder of the share, and the latter gives proper notice to the company requiring the company to redeem the share:

1. the company shall redeem the share on the date specified in the notice, or if no date is specified, on the date of receipt of the notice;
2. the share is deemed to be cancelled on the date of redemption;
3. the former shareholder ranks as an unsecured creditor of the company for the sum payable on redemption, from the date of redemption.

QUESTION 3

Explain the term “Promoter” in relation to Company Law

SOLUTION 3

Promoters

A promoter is a person who takes the preliminary steps to the founding or organization of a company. He finds people who are willing to finance it - buy shares, lend money. Contracts must be made for building or leasing space, buying or renting equipment, advertising and whatever else is required for the early operation of the business.

Any company wishing to offer shares shall issue a prospectus. **It will be issued by a promoter.**

A prospectus is a notice, circular, advertisement or request inviting applications or offers from the public to subscribe for or purchase, a share in or debenture of a company or proposed company;

No person shall have the right to issue, circulate or distribute any form of application for shares or debentures unless :

1. the form is accompanied by a prospectus whose date of publication is a date within the period of six months immediately preceding the date on which the form was issued, circulated or distributed;
2. a copy of the prospectus and particulars of the issue, circulation or distribution shall have been lodged with the Registrar General ;
3. the company or proposed company undertakes, in its prospectus that it will, within two (2) months after receiving the money, issue to that person a document to acknowledge receipt of the money. *Articlwe 65*

Every company shall keep a copy of every share application form at its registered office within seven (7) days after the prospectus is lodged and shall keep every such copy, for a period of at least six (6) months after the lodging of the prospectus, for the inspection by company's members and creditors.

Where a company has accepted any money as a deposit or loan, it shall within 2 months after the acceptance of the money, issue to that person a document which acknowledges or evidences or constitutes an acknowledgement of the indebtedness of the company in respect of that deposit or loan.

Every advertisement which is issued, circulated or distributed and which offers or calls attention to an offer or intended offer of shares in, or debentures of a company or proposed company to the public for subscription or purchase, shall be treated as a prospectus if it contains the following:

1. the number and description of the shares or debentures concerned;
2. the name and date of registration of the company and its paid-up share capital;
3. a concise statement of the main objective and main business of the company;
4. the names, addresses and description of -
 - a) the directors or proposed directors;
 - b) the brokers or underwriters to the issue;
 - c) the debenture holders' representatives;
5. the name of the stock exchange, if any, of which the brokers or underwriters to the issue are members;
6. particulars of the opening and closing dates of the offer and the time and place where copies of the prospectus and forms of application for the shares or debentures may be obtained;
7. statements with respect to the sale price of shares, the yield there from or other benefits received or likely to be received by holders of shares, in relation to an authorised mutual fund.

Every prospectus shall comply with the form and content prescribed by instructions of the Registrar General

The prospectus shall :

1. be printed in type of a font size approved by the Registrar General;
2. be dated and that date shall, unless the contrary is proved, be taken as the date of issue of the prospectus;
3. be signed by every director or person named in the prospectus as a proposed director, or by his or her agent authorised in writing;
4. state that a copy has been lodged with the Registrar General
5. and also state immediately after that statement that the Registrar General assumes no responsibility as to its contents.

QUESTION 4

What are the duties of a Company Secretary?

SOLUTION 4

The duties of the Company Secretary

Article 219 of Law n° 07/2009 of 27/04/2009 relating to companies as modified and complemented by the May 2010 amendment states the duties of the Company Secretary as follows:

“Any company, other than a small private company shall have a Company Secretary whose duties shall be the following:

- 1. to advice members of the Board of Directors on their responsibilities and powers;*
- 2. to inform members of the Board of Directors about all the necessary regulations or those which may affect the meetings of shareholders and of the Board of Directors, reports thereof and submission of all company documents required by the law to relevant organs as well as consequences due to the failure to comply with such regulations;*
- 3. to ensure that minutes of the meetings of shareholders or the Board of Directors are well prepared and that registers provided for by the articles of association are accurately kept;*
- 4. to make sure annual balance sheet and other types of required documents are submitted to the Registrar General as provided for by this Law;*
- 5. to ensure that copies of annual balance sheet and activity reports are transmitted to relevant destinations in accordance with this Law and to any person as provided by the law”.*

QUESTION 5

What should be included within an “Auditors Report”?

SOLUTION 5

Auditing report

According to the article 241 of the law, an auditing report required to be signed on behalf of a firm appointed as auditor of a company, by a member of the firm who is a qualified auditor.

Article 247 says that the auditor of a company shall prepare an auditing report and submit it to the company’s shareholders. The auditor’s report shall state the following:

1. the work done by the auditor;
2. the scope and limitations of the audit;
3. the proof that there is no relationship, no interests and debt which the auditor has in the company;
4. whether the auditor has obtained all information and explanations he/she needed;
5. whether, proper accounting records have been well kept by the company;
6. whether, in the auditor’s opinion, the financial statements give a true and fair view of the matters to which they relate, and where they do not, shortcomings are identified;
7. whether, the financial statements comply with the international accounting standards;
8. the auditor’s opinion and problems that are linked with the company’s management;
9. the auditor makes recommendations with regard to the identified problems.

Article 250 lays down modalities for submitting auditor’s report in these words, where the auditor of a company completes his/her report, he/she submits it to the company in a period not exceeding seven (7) days and reserve a copy of the same for the debenture holders or their representatives.

QUESTION 6

What are the requirements a company must meet in order to be registered.

SOLUTION 6

Registration of the company

A company comes into existence when it is registered under the companies' law. In Rwanda, the registration with the Office of the Registrar General is a legal obligation to all companies according to the proviso of article 4 of law.

Article 10 of the law, introduce the requirements a company must meet in order to be registered:

1. a name;
2. an address;
3. a business occupation ;
4. one or more shares;
5. limited or unlimited liability;
6. one or more directors.

QUESTION 7

Describe Liquidation of Companies

SOLUTION 7

LIQUIDATION OF COMPANIES

Liquidation of a company is the process whereby its life is ended and its property administered for the benefit of its creditors and members. Upon liquidation of a company, a liquidator is appointed and he takes control of the company, collects its assets, pays its debts and finally distributes any surplus among the members in accordance with their rights.

There are two types of liquidation: compulsory liquidation under an order of court and voluntary liquidation under a resolution of the company.

A company shall be under liquidation as soon as it is dissolved for any reason except by merger. The words "in liquidation" shall be added to the name of the company including letters, invoices and various publication of the said company.

The legal personality of the company shall continue to exist for liquidation purposes until the liquidation procedure is completed.

When a decision ordering the liquidation of the company has been taken the powers of the board of directors, managing directors or the managers shall end (be suspended) and the liquidator will assume their functions. The managing directors or managers are required as at the date of dissolution to establish a balance sheet, profits and loss account and a report, which shall be submitted to the auditors (if any) for verification and to the shareholders for approval.

The liquidator(s) are, in default of their designation by the articles of association appointed by the annual meeting. Note that one or more liquidators shall be appointed:

1. Unanimously by the partners in case of a general partnership;
2. Unanimously by the active partners and by the majority in capital in case of a limited partnership and limited partnership by shares;
3. By the majority capital of shareholders in case of private limited company
4. Under the quorum and majority conditions provided for a special meeting in case of a public limited company .

As seen before, every company shall be considered to be a commercial company.

It is therefore of paramount importance to discuss some matters relating to commercial activities, persons who carry out such activities (traders), and any other relevant matter that might fall within commercial sphere.

QUESTION 8

Define “Amalgamation” and the procedure for “Amalgamation”

SOLUTION 8

The term amalgamation has not been defined in the Companies Act, though this voluminous piece of legislation contains 44 definitions in Article 2. The terms amalgamation and merger are synonyms and the term ‘*amalgamation*’, as per Concise Oxford Dictionary, Tenth Edition, means, ‘*to combine or unite to form one organization or structure*’.

There is amalgamation when a company is absorbed by another one that subsists alone or when two companies disappear to constitute a new company. It is therefore a legal operation that consists in bringing together several companies in one company.

According to article 295 of the law, two (2) or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or may be a new company.

Article 49 para.1 of the law of 1988 provided: "The amalgamation of two or several companies may be either by the absorption of one or several companies by another, either by the constitution of a new company".

The amalgamation is characterized at a time by:

- a dissolution of the company absorbed that disappears as moral person.
- a transfer of the universality of properties of the absorbed company to the absorbing company or the new company emerging from the amalgamation.

As put by article 296, an amalgamation proposal shall set out the terms of the amalgamation, and in particular:

1. the name of the amalgamated company where it is the same as the name of one of the amalgamating companies;
2. the registered office of the amalgamated company;
3. the full name or names and address or addresses of directors of the amalgamated company;
4. the address for registered office of the amalgamated company;
5. the share structure of the amalgamated company, specifying :
 - a) the number of shares of the company;
 - b) the rights, privileges, limitations and conditions attached to each share of the company;
6. the manner in which the shares of each amalgamating company are to be converted into shares of the amalgamated company;

7. the consideration that the holders of those shares are to receive instead of shares of the amalgamated company;
8. any payment to be made to a shareholder or a director of the new amalgamated company;
9. details of any arrangement necessary to complete the amalgamation and to provide for the subsequent management and operation of the amalgamated company;
10. a copy of the proposed constitution of the amalgamated company;
11. the date on which the amalgamation proposal will be effective.

Concerning the resolution for amalgamation, article 297 disposes that the Board of Directors of each amalgamated company shall resolve that in its opinion, the amalgamation is in the best interest of the company and it is satisfied on reasonable grounds that the amalgamated company shall, immediately after the amalgamation becomes effective, satisfy the solvency test.

The directors who vote in favor of a resolution of amalgamation under this article shall sign a certificate stating that the amalgamation will benefit the company and the latter will satisfy the solvency test.

The Board of Directors of each amalgamating company shall send to each shareholder of the company, not less than thirty (30) days before the amalgamation is proposed to take effect :

1. a copy of the amalgamation proposal;
2. copies of the certificates given by the directors of each Board;
3. a summary of the principal provisions of the articles of association of the amalgamating company, if it has one;
4. a statement that a copy of the constitution of the amalgamated company shall be supplied to any shareholder who requests it;
5. a statement setting out the rights of shareholders of each company;
6. a statement of any material interests of the directors, whether in that capacity or otherwise;
7. such further information and explanation as

The amalgamation proposal shall be approved by the shareholders of each amalgamating company and any other interested parties by special resolution (art. 300)

The company's creditors must not be caught by surprise as article 301 provides that the Board of Directors of each amalgamating company shall, not less than thirty (30) days before the amalgamation is proposed to take effect, give written notice of the proposed amalgamation to every creditor of the company.

Article 302 determines types of documents needed for the registration of amalgamation in these words, For the purpose of effecting an amalgamation, the following documents shall be delivered to the Registrar General for registration:

1. the approved amalgamation proposal;
2. a certificate that is signed by the Board of Directors of each amalgamating company;
3. a certificate signed by the Board of Directors of the new company resulting from the amalgamation;
4. the proof that the amalgamation will not jeopardize the interest of those creditors of amalgamating companies;
5. a document in the prescribed form, signed by each of the persons whose name is indicated in the amalgamation proposal as a director or employee of the amalgamated company consenting to act as a director or employee of the company.

Regarding the issue of certificate of amalgamation, articles 303 and 304 give the following precisions: On receipt of the application for amalgamation, the Registrar General shall forthwith :

1. where the amalgamated company has the same name as one of the amalgamating companies, issue a certificate of amalgamation;
2. enter the particulars of the company on the register;
3. issue a certificate of amalgamation;
4. issue a certificate of incorporation.

An amalgamation shall be effective on the date shown in the certificate of amalgamation.

QUESTION 9

What is the registration process of foreign companies?

SOLUTION 9

Every foreign company shall, before starting business file the following with the Registrar General :

1. a duly authenticated copy of its articles of association and the certificate of its registration delivered by the registration officer;
2. a duly authenticated copy of its certificate of incorporation, articles of association, memorandum of association depending on where it was established and any other instrument constituting or defining its being established;
3. a list of its directors residing in Rwanda;
4. a memorandum of or power of attorney to represent the company in Rwanda;
5. notice of its registered office in Rwanda;
6. a declaration made by the authorized agents of the company.

Where a foreign company has complied with the provisions of the law, the Registrar General shall register the company and shall issue a certificate thereof in the prescribed form.

QUESTION 10

Define “Commercial Law”

SOLUTION 10

Definition

The term Commercial law known as Mercantile Law may be defined as that branch of law, which comprises laws concerning trade, industry and commerce. It is an ever-growing branch of law with the changing circumstances of trade and commerce.

With the increasing complexities of the modern business world, the scope of commercial law has enormously widened. It is generally understood to include the laws relating to contracts, sale of goods, partnership, companies, negotiable Instruments, insurance, insolvency, carriage of goods, and arbitration.

The commerce is the exchange of merchandises or services especially on a large scale: buying and selling. Commercial law can be defined as a body (*corpus*) of judicial rules relating to the commerce. This means that it is the law which governs traders and commercial related activities.

The commercial law is part of private/civil law which regulates matters between individuals. It is a branch of civil law that deals exclusively with the juridical implications of commercial activities either among traders themselves or between traders and their customers. The commercial law is thus a special law distinct from the civil law which constitutes its basis: some provisions (articles) apply where the commercial law or commercial usages do not settle a case.

Commercial activities are primarily governed by a collection of several laws¹ dealing with different aspects of commercial law. It is important to keep in mind that commercial law is neither autonomous nor self sufficient (i.e. it must not be understood that commercial law provides answers and deals with every aspect of commercial and industrial activities), but applies within the general scope of civil law.

Business law is different from commercial law. Business law, may be defined as a branch of private law which by derogation from civil law, regulates in a specific manner activities of production, distribution and services.

Business law is seen by a majority as being more extensive than commercial law, which was traditionally perceived as the private law of commerce. Business law encompasses questions which are under public law (intervention of the state in the economy) such as tax law, labour law etc. Business law also encroaches into civil law, notably in the protection of consumers.

In addition, business law applies not only to traders, but also applies to non-traders such as farmer and members of the liberal profession.