



CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS

11.3: COMPANY LAW

DATE: WEDNESDAY 27, AUGUST 2025

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has two sections A and B.**
- 3. Section A has two compulsory questions, 1 & 2 and one choice question, (3 or 4) not both.**
- 4. Section B has two questions (5 & 6) to choose one.**
- 5. In summary answer four questions, three in section A and one in section B.**
- 6. Marks allocated to each question are shown at the end of the question.**
- 7. The question paper should not be taken out of the examination room.**

SECTION A

QUESTION ONE

a) Kaneza Kangabe and Byiringiro Alexis are in the process of forming a public company limited by shares. Kaneza Kangabe understood that the company to be formed must clearly state its objective and a number of other aspects that will make the company distinct. Given that this is a company limited by shares, Kaneza Kangabe and Byiringiro Alexis must provide details of such a company on those lines.

Byiringiro Alexis reminded her colleague that in addition to the document containing the above information there is another document which a company may or may not have but in case it does not have it, the rights, duties, and obligations of the company, of the Board of Directors, of each director, and of each shareholder of the company are those set out in the Law governing companies except in case they are restricted or modified.

Required:

- i) Identify and define the TWO documents envisaged by both Kaneza Kangabe and Byiringiro Alexis and outline any TWO contents of each of the documents you have identified. (4 Marks)**
- ii) Highlight information that must be provided for a company limited by shares in the first document identified above. (2 Marks)**
- iii) The document espoused by Byiringiro Alexis creates a threefold relationship. Explain these relationships briefly. (2 Marks)**

b) Mbabazi Jane and Mucyo Patrick are final year students at the University of Rwanda where both of them are pursuing a bachelor's degree in Business Administration. In a class group discussion together with ten other colleagues they resolved that after the completion of their studies, they shall mobilize resources and form a public company.

In furtherance of their discussion, they agreed that, as the founding members of the company, they will at all times determine who will or will not become members of the proposed company to be formed. However, these ten other members felt that it would not be possible for the founding members to have any control of the company from the time the company is registered unless it is done in accordance with the law.

Mucyo Patrick concurred with the other ten members, emphasizing that a company is a legal entity and an independent institution in its own right. Because of this, it is not always practical for the founders to make every decision on behalf of the company. However, Mbabazi Jane struggled to understand why the founding members should not have the final authority over all issues concerning the proposed company.

Required:

- i) Analyse the above case scenario and provide the proper position of law governing companies in Rwanda. (3 Marks)**

ii) How is a company a moral person in relation to the discussion espoused in the case scenario above? (3 Marks)

iii) As a law expert, explain how a company is an institution with regard to the issue discussed in the case scenario above. (4 Marks)

c) Nyamata Private Company was incorporated in August 2023 after compliance with the legal requirements. The company intended to issue unlimited shares to the public due to perceived great demand. In October 2023, the company issued a prospectus to the public upon which many people subscribed for the available shares. Mugabo Emmanuel was one of the many people who applied for the shares offered to the public and he hopes that he will be allotted the shares he applied for. However, Mugabo Emmanuel is not very well conversant with the law governing companies more especially with regard to the transfer of shares and a share certificate

Required:

i) As a candidate of company law, explain to Mugabo Emmanuel the position of law with regard to the issuance of a prospectus to the public. (2 Marks)

ii) Explain to Mugabo Emmanuel the position of law on the transfer of shares and share certificates in the context of the case scenario above. (5 Marks)

(Total: 25 Marks)

QUESTION TWO

a) Kibuye Public Limited Company was incorporated in 2023. The Board of Directors, consisting of seven members, felt that two of the members were not active and more often they seemed not to be very keen on the decisions made by the board. Consequently, the other five members felt very uncomfortable working with them. The managing director convened an impromptu meeting of the Board with one agenda item of removing the said two members of the Board due to insubordination and uncooperative. Five members voted in support of the motion and only two not in support and thus the two members of the Board were removed. Thereafter, the managing director communicated the decision of the Board of directors to the shareholders just for their information. A good number of members/shareholders felt that the decision was right while few members felt that the Board of Directors overstepped their mandate. Peter Mucyo one of the shareholders, feels strongly that given the decision, the Board of Directors does not have the power to hire nor do they have the power to fire any director or directors.

Required:

i) Analyse the case scenario above and advice Peter Mucyo accordingly on the action by the Board of Directors of Kibuye Public Company. (2 Marks)

ii) Explain to Peter Mucyo the position of law on the removal of one or more members of the Board of Directors. (4 Marks)

b) Gasabo Public Limited Company was incorporated in 2022 with its core business being electronics. The company has a sister company registered in the Democratic Republic of Congo (DRC). The company has a total of seven directors. The majority of the directors are independent directors while 1/3 of the directors are non-executive directors. Recently in the Annual General Meeting of the company one shareholder, Rurangirwa James was having a number of questions with regard to the position of law on the composition of the directors. Seemingly, the majority of the shareholders have no factual information on the concerns of Rurangirwa James.

Required:

- i) As a candidate of company law, analyse the case scenario above and explain to Rurangirwa James, the position of law on the directors in general and the composition of the directors of a company. (4 Marks)
- ii) Explain to Rurangirwa James the meaning of independent directors and non-executive directors as provided by the law governing companies in Rwanda. (2 Marks)

c) Nyamagabe Public Limited Company was incorporated in January 2021 as the leading exporter of Rwandan quality tea. Kabera Peter, Mutagoma Samuel and Nkubara Ted are the newly appointed directors of the company. This is the first time they have been appointed as directors of the company and hence they are taking good time to learn their responsibilities. In the process of their learning, they discovered that there are laws and regulations which they need to be conversant with more especially as they affect the company and the consequences for non-compliance with such laws and regulations. Furthermore, they were informed that there are certain documents which shall be caused to be prepared and communicated to different stakeholders for their consumption as provided for by law. The three directors of the company were having difficulty time to understand their mandate and they didn't know who to turn to for information regarding all matters relating to their duties and responsibilities.

Required:

As a candidate of company law, identify the appropriate person to whom the directors can turn to for the information as described in the case scenario above and explain any FOUR duties of the person you have identified. (5 Marks)

d) Kigali Public Limited Company was incorporated in 2023 with its core objective of the export of the rare mineral of coltan to China and other emerging markets. The company has performed very well in the first fifteen months until late 2024 when rumours began circulating that the directors were diverting the company's profits for personal gain. Nzabamwita Alfred and Umurerwa Grace are the auditors of the company. In their annual audit report, which was to be represented at the annual general meeting of the shareholders, they have elaborated how the directors had colluded to defraud the company. Upon submission of their report to the Board of Directors, the Board voted to terminate their services on the grounds of incompetence. The Board then proceeded to hire two new auditors and instructed them on how to draft the auditor's

report for the upcoming annual general meeting. Feeling aggrieved, Nzabamwita Alfred and Umurerwa Grace are now contemplating of taking legal action against the company.

Required:

- i) Analyse the scenario above and explain to Nzabamwita Alfred and Umurerwa Grace if they are justified to take legal action against the company. (2 Marks)**
 - ii) As a candidate of company law, explain to Nzabamwita Alfred and Umurerwa Grace the position of law on the removal, replacement or resignation of an auditor. (6 Marks)**
- (Total: 25 Marks)**

QUESTION THREE

a) Nyarugunga Public Limited Company was established in 2018 with the primary goal of distributing solar panels and batteries across Rwanda. For the first four years, the business performed strongly due to the high demand for solar energy, especially in rural areas. In 2022, some directors proposed expanding operations into the Democratic Republic of Congo. While the idea appealed to certain directors, others opposed it without providing clear reasons. This disagreement initially divided the board and later spread to the annual general meeting, where shareholders also became polarized not only over the expansion plan but also on key decisions affecting local operations. As a result, the company fell into a financial crisis, unable to meet its debt obligations because of the ongoing stalemate. Since June 2022, operations have been paralyzed, and by December 2024, no progress had been made. The two largest investors, Gatsinzi John and Rukundo Emma, now face potential losses on their investments and are uncertain about the way forward.

Required:

- i) As a candidate of company law, explain to Gatsinzi John and Rukundo Emma what to do in accordance with the law governing companies that may allow them to salvage any of their investment but above all to move on. (2 Marks)**
- ii) Explain any THREE consequences that may arise out of the decision that may be taken by the authority in response to Gatsinzi John and Rukundo Emma concerns. (3 Marks)**

b) Ruhango Public Limited Company, which was incorporated in 2015 as a real estate investment company, has been one of the best performing companies in Rwanda until 2023, when it started facing financial constraints resulting from the decline in the economy. The company was unable to pay their major suppliers, something which became a great concern for the shareholders who strongly felt that unless the economy improves, the company is sliding towards insolvency. Adelithe Kagabo, Alpha Nsigaye and Kalisa Apoline are the shareholders of the company who strongly feel that an annual general meeting of the company should be held to discuss the way out for the company and save it from incurring extra costs resulting from non-payment of bank debts. In their opinion, from the prevailing circumstances, it is evident that the company cannot pick up and make any profit because of the prevailing market failure. However, Alpha Nsigaye thinks that there might be a window of opportunity if the company could think of some kind of arrangement which may help the company to stay on and

continue with the business. He suggests that an insolvency practitioner should be appointed to guide the company accordingly.

Required:

- i) Explain to Adelithe Kagabo, Alpha Nsigaye and Kalisa Apoline the position of law on the appointment of the insolvency practitioner. (3 Marks)**
- ii) Assuming that the insolvency practitioner suggests that the company should be liquidated, explain any THREE duties of a liquidator. (3 Marks)**
- c) Assuming that in the case scenario above (3b) the insolvency practitioner finds out that the company can survive and avoid being liquidated if a company organize its structure, either internally or by transferring its assets and liabilities to a new entity. This suggestion was reached by the insolvency practitioner after revaluing assets, reassessing liabilities, and adjusting share capital to address financial difficulties or improve operational efficiency.**

Required:

- i) From the scenario above, identify the arrangement proposed by the insolvency practitioner and outline any FOUR persons who can apply to the court for an order to commence the proceeding. (3 Marks)**
 - ii) Explain the position of law on the basis upon which the court may order for the commencement of the proceeding identified in (i) above. (3 Marks)**
 - iii) Identify the person appointed to carry out the orders of the court for the said arrangement and outline any FOUR duties of the person you have identified. (3 Marks)**
- (Total 20 Marks)**

QUESTION FOUR

Gikondo Public Limited Company was incorporated in 2015 with the main object being Motor vehicle insurance. In its initial year of operation, the company performed very well and was among the best performing companies in the country. The Board of Directors and the company secretary were people with focus and they steered the company to achieve greatly. From time to time, they interacted with the shareholders and at all times guided the company in the right direction.

In 2022, some shareholders and directors felt that the company could make even greater profit if it diversified its portfolio and venture into other areas of insurance. The Board of Directors resolved that the matter be made an agenda for discussion in the annual general meeting of the company scheduled for December 2022. The notice of the meeting was communicated well in time and in accordance to the provisions of law governing companies. In addition to the agenda of the diversification of the business portfolio, the Board also resolved that the current secretary be dismissed because of healthy related issues and a new secretary be appointed subject to the approval at the annual general meeting.

Mutimura John, Mugisha Faith and Mukisa Hope who are the largest shareholders, were both to attend an international conference in London at the same time when the annual general meeting of the company would be held. Through a letter to the Board of Directors, the three

appointed Gasana Christine, Danogendo Dan and Ashimwe Edda respectively to attend the meeting and represent them accordingly. Rubunda Emma, one of the shareholders, was informed about this matter and was of the view that it was not possible for people who are not shareholders of a company to attend and participate in the meeting of the company.

Required:

- a) Analyse the scenario above and explain the position of law in relation to the appointment of Gasana Christine, Danogendo Dan and Ashimwe Edda vis-à-vis the position of Rubunda Emma. (6 Marks)
- b) Write brief notes on the appointment of Gasana Christine, Danogendo Dan and Ashimwe Edda in terms of their rights, notice of meeting and compliance. (4 Marks)
- c) Rubunda Emma, in the case scenario above, feels strongly that the Board of Directors has no powers to dismiss nor appoint the company secretary. The company secretary can only be dismissed and appointed by the shareholders during the annual general meeting of the company. The Board of Directors had appointed Kabera Samuel, a Certified Public Accountant with five years of professional experience as the new company secretary.

Required:

- i) As a candidate of company law, do you agree with Rubunda Emma that the Board of Directors has no powers to hire and fire the company secretary? Justify your answer. (4 Marks)
 - ii) Explain the position of law with regard to the appointment, qualification and removal of the company secretary. (6 Marks)
- (Total: 20 Marks)**

SECTION B

QUESTION FIVE

a) Kabeza Public Limited Company is a company which was incorporated in 2020 with its core business being the manufacture of high-quality textile materials purely for export. Due to the good quality of its products, there was a great demand for the products abroad. The Board of Directors resolved to issue the outstanding shares to the public in order to raise more capital and try to meet the emerging market needs and thereby make good profit. The shares were fully subscribed for and paid but the directors still realized that they needed more capital beyond what was raised through shares.

The Directors in the meeting of the Board resolved to look for potential investors who can partner with the company by providing two billion Rwandan Francs (FRW 2,000,000,000) in order to expand the business to meet the market demand. The Directors identified ten potential investors and approached them and asked them to invest in the company with a minimum of five hundred million Rwandan Francs (FRW 500,000,000) and a maximum of eight hundred million Rwandan Francs (FRW 800,000,000).

Kambanda Fred, one of the potential investors was willing to invest eight hundred million Rwandan Francs (FRW 800,000,000), provided that the company promises in writing to assign to him “section A” of the textile industry as security, which the company accepted. In the meantime, Kabera Eric, Kabaliza Franc and Umutohiwaze Grace being among the potential investors approached by the board of directors, decided to invest each to a tune of four hundred million Rwandan Francs (FRW 400,000,000) and without any conditions attached.

In March 2025, the market certainly collapsed because of the great competition from China at a time when the company had greatly invested more than two billion Rwandan Francs (FRW 2,000,000,000) the business. There was panic from both Kambanda Fred and Kabera Eric, Kabaliza Franc and Umutohiwaze Grace who threatened to take the company to court. The Directors under pressure decided to pay Kabera Eric and Kabaliza Franc the full amount owed to them and this angered Kambanda and Umutohiwaze who are now contemplating to take the company to court because it is unable to pay them.

Required:

- i) As a candidate of company law, do you think it was right for the company to take the decision it took to acquire the said two billion francs (FRW 2,000,000,000) for investment? (2 Marks)**
- ii) Do you think that the company acted within the law by paying Kabera Eric and Kabaliza Franc and not the rest of the investors? Justify your answer. (3 Marks)**
- iii) After legally identifying the position of Kambanda Fred and Kabera Eric, Kabaliza Franc and Umutohiwaze Grace, explain any FOUR differences between the two positions you have identified. (5 Marks)**

b) Kanombe Public Limited Company was incorporated in 2015 with its core business being leather processing and export. Within a very short period after its registration the company gained momentum and attracted many people who scrambled for the available shares. The profits over the investment were very good and hence the reason for the great demand for the shares by the public. In 2020, the company started to experience some challenges because of the outbreak of COVID-19. Many members transferred their shares in anticipation of a greater problem. However, the majority of the members decided not to transfer their shares because they had great faith, that the company will eventually overcome the challenges. True to the faith the company bounced back by 2023 and it was performing more better than all the previous years and the few available shares were full taken up by the existing shareholders during the period of turmoil. Mugabe Jone, Murerwa Peace and Mugabo Peter were among the members who had transferred their shares but without any legal documentation of the said transfer despite having received their investment. They now demanded that the transfer be cancelled and they continue as members because of the improvement of the fortunes of the company.

Required:

- i) Analyse the case scenario above and explain to Mugabe Jone, Murerwa Peace and Mugabo Peter if they are justified to cancel the transfers that had already been affected. (2 Marks)
- ii) Assume that Mugabe Jone, Murerwa Peace and Mugabo Peter take the company to court arguing that they are still valid members of the company, which document can the company produce to court as evidence that they are or they are not members? (2 Marks)
- iii) Explain briefly the importance of the document that you have identified in (ii) above. (2 Marks)
- iv) Outline any four contents of the document you have identified in (ii) above. (4 Marks)

c) Gekenke Public Limited Company was incorporated in 2016 for the sole purpose of coffee farming in Rwanda. The company is doing very well because of the high demand for Rwandan coffee in the international market. There is significant demand for the shares of the company because of the good returns on investment. Many people want to invest but currently no shares are available. In the meantime, Muganga Joseph, who had four sons was a member of the company until two months ago when he and his wife tragically perished in a road accident. He had shares worth five hundred million francs (FRW 500,000,000) in the company. The four sons are discussing whether they can apply to be members or they can ask to be refunded back the money invested in the company by their father. The elder son however, is of the strong view that would be better to request the company to consider them as new members in the place of their father as away of keeping his legacy. Rukundo Eva who is among the first members of the company has won a green card and he is preparing to travel to America and as such he wants the company to refund him back the money he invested in the company but the company has refused to refund the money.

Required:

- i) As a candidate of company law, Explain to the four sons of Muganga Joseph the position of law in relation to the shares of their father. (2 Marks)
- ii) Explain any other TWO circumstances through which the legal position you have explained in (i) can apply. (4 Marks)
- iii) Do you think the company was right by refusing to refund to Eva Rukundo the amount invested in the company through shares? Justify your answer. (2 Marks)
- iv) Compare and contrast the manner in which the shares of Muganga Joseph and Rukundo Eva can be treated. (2 Marks)

(Total: 30 Marks)

QUESTION SIX

a) Chimichanga Public Limited Company is one the best performing companies in Rwanda. The directors of the company are reputable professionals well-respected in the country for their exceptional skills in corporate management. They have a strong understanding of the company affairs. However, despite their expertise and knowledge, the challenges brought about by the COVID-19 outbreak tested their resilience. The company started declining and the shareholders started becoming worried. Rumours started circulating that the directors of the company are misusing the company's resources by investing such resources in areas outside the objective of the company and thus incurring massive losses. Kagame Arnest, who has just completed his studies and certified as an auditor was appointed by the shareholders to audit the company and provide a detailed report about the financial status of the company.

Required:

Kagame Arnest approaches you as a candidate of company law concerning the audit report more especially on compliance with internationally accepted standards. **Explain to him any FOUR components that should be reflected in the report he will prepare.** (8 Marks)

b) The directors of Nyamasheke Public Limited Company have been at the helm of the company for over a period of twenty years. During this period, they have steered the company to great heights making the company to be among the best performing companies in the country. The shareholders have had a very cordial relationship with the directors throughout this period. In their board meeting, the directors resolved that time has come for them to vacate office and allow younger and robust directors to take over the mantle from them. As much as the idea sounded noble, some shareholders suggested that it would be appropriate that they undertake the changes progressively as they will continue guiding the newly inducted directors. This line of thinking was accepted by all the shareholders and the directors. On the basis of this amicable understanding, the directors were mandated by the shareholders to conduct an interview for two directors whose names they should submit for the appointment during the annual general meeting of the company.

Required:

- i) Assume that you are among the two prospective directors of the company invited to interview and you have been asked to draft the directors' report. **Explain any FIVE key components that must be reflected in the report.** (10 Marks)
- ii) During the interview, a suggestion is made that circumstances may arise which may make it impossible for the directors to undertake their responsibilities as such but the only available option for them is to delegate their powers. **Explain the position of law regarding the delegation of powers by the directors.** (6 Marks)
- c) Rwamagana Public Limited Company has been on several occasions in the media not for good reasons but wrong ones. It is alleged through the media that there is no accountability and transparency in the manner in which the company directors are operating. As a result, it is alleged that the directors are living large because of the misappropriation of the company's resources. Additionally, it is alleged that the company secretary and the auditors of the company are colluding with the directors in the mismanagement and defrauding the company. This news has sent shockwaves to the shareholders and shaken their confidence. Given the place of the company in the country, there is a likelihood of an economic meltdown. On this basis and the magnitude, the Minister in charge of companies appointed an inspector to carry out an investigation of the company's affairs and report to him.

Required:

- i) Assuming you were the person appointed as the inspector, **explain the position of law regarding the management of books used during the investigation and the obligation of every officer of the company to answer questions asked by you.** (4 Marks)
- ii) Assuming that as an inspector, you strongly believe that the law has been broken based on the answers you have received from the company officers, and what they have told you may constitute evidence. **Explain the position of law regarding statements made during an investigation and their admissibility as evidence in legal proceedings.** (2 Marks)
- (Total 30 Marks)**

End of question paper

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