



CERTIFIED PUBLIC ACCOUNTANT
INTERMEDIATE LEVEL EXAMINATIONS

11.3: COMPANY LAW

DATE: WEDNESDAY 26, FEBRUARY 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.

QUESTION ONE

a) A nuclear family of 10 members has decided to establish a private limited company specializing in the international transportation of goods. The father, as the initiator of the business, has proposed the company name as B&P Ltd, with a share capital of FRW 100,000,000 divided into 100,000 shares. He suggests that the company headquarters be located at the Gatuna Border and outlines the establishment of a Board of Directors, along with other necessary details for the company's incorporation.

The mother has proposed that Mr. Bukuru, a 14-year-old family member, be included as one of the members of the Board of Directors. Meanwhile, Miss Kamana Diane, another family member, has requested a detailed explanation regarding the purpose of the company. She has also inquired about other forms of business organizations and their specific requirements, seeking this information to consider alternative suggestions for the family's business structure.

Required:

- i) As a student of company law, **define a company?** (2 Marks)
- ii) Based on the case study above, **is the proposed company B&P Ltd a contract? Explain your position?** (6 Marks)
- iii) The shareholders of the proposed company B&P Ltd have subscribed shares, some of them paid and others not yet. The allotment of 100,000 shares were based on different classes of shares in way that all types of them were allotted. **Discuss the types of shares and mention the best share type you can subscribe to.** (3 Marks)

b) Finally, the family has hired an expert to represent the shareholders to register the proposed company to the Registrar General but before signing a contract, they need more information on the documents required.

Required:

- i) As a student of company law who is also an expert, **explain to them the important documents to be submitted to the Registrar General when applying for incorporation of a company.** (6 Marks)
- ii) Mr. Bukuru, a curious young boy, he needs to know what is provided for by the law how a legal personality of company can be disappeared. **Discuss the causes of disappearance of the legal personality of the company.** (2 Marks)

c) For the past 10 years, a bank experienced significant profitability. However, with the outbreak of the COVID-19 pandemic, its profitability began to decline. In response, the bank applied to the Capital Market Authority to be listed on the Rwanda Stock Exchange. Unfortunately, the application was denied due to the bank's failure to meet certain critical legal requirements. As a result, the Board of Directors is considering declaring the bank a dormant company for a period of two years to allow for reorganization and recovery.

Required:

- i) **Advise the Board of Directors, if this bank can be dormant?** (2 Marks)
 - ii) **Discuss the requirements for a company to be dormant?** (4 Marks)
- (Total: 25 Marks)**

QUESTION TWO

a) New Good Company Ltd as a private company limited by shares with the share capital of FRW500,000,000 and 100,000 shares does a business of importing and supplying liquors in Rwanda. The New Good Company Ltd is the only company allowed to do such business in Rwanda and it was growing rapidly. The shareholders took a resolution to expand its business to real estate and the Board of Directors hired other staff in charge of it. The New Good Company Ltd for being well positioned, applied for a loan of FRW20,000,000,000 to a commercial bank and was approved and disbursed. The Commercial bank granted a grace period of 12 months from the time the loan was disbursed. In the implementation of the business of real estate, some materials imported abroad were stolen and the business was delayed for 2 years.

After one year of grace period, the commercial bank started to push for paying the monthly instalments, but after a certain time the New Good Company Ltd defaulted. The shareholders themselves can pay the loan but some of them are reluctant to do so. Due to the new business of real estate, the business of importing and supplying liquors also failed. In the extra-ordinary meeting of the shareholders with the sole item of discussing how the company can be liquidated, different views were provided.

Required:

- i) You were invited in the meeting as an expert to provide legal opinion on how to deal with the issue, **provide different possible solutions and choose the best solution with its explanation.** (8 Marks)
- ii) Some of the shareholders are contemplating to choose the option that will help them to start a new life without the former obligations of the New Good Company Ltd, **explain to them the persons allowed for such application.** (6 Marks)
- iii) If they choose the procedure that will produce effect of starting new life without former obligations, **discuss the grounds for commencement of such application.** (2 Marks)

b) TWR Sport Ltd, a multi-sport company located in the Kimihurura area, is facing significant financial challenges due to intense competition and the adverse effects of the COVID-19 pandemic. The company has been unable to meet its liabilities as they fall due. Despite taking extensive measures to revive the business, including cost-cutting and selling some of its assets, these efforts were unsuccessful. Consequently, some creditors filed for insolvency proceedings, leading the court to appoint an insolvency practitioner. The insolvency practitioner carried out their duties and submitted a comprehensive report to all relevant parties and institutions. However, six years later, one of the creditors filed a lawsuit against the insolvency practitioner, alleging that their interests were not adequately considered during the liquidation process.

Required:

i) **Comment on the case study above if the action taken against the insolvency practitioner is valid or not and justify your position.** (3 Marks)

ii) Prescription relates to the extinction of rights by lapse of time i.e. the time within which if an action is not instituted in court, the plaintiff's right of action is lost. All actions against the company shall lapse after 10 years from the date the right of action accrued. However, there are some acts that are barred after 5 years. **List them** (6 Marks)

(Total: 25 Mark)

QUESTION THREE

a) Ganza Private Limited Company is owned by five shareholders with a total share capital of FRW 20,000,000, divided into 2,000 shares. The shareholders are Mr. Mukire, holding 1,000 shares; Miss Mutoni, holding 500 shares; Miss Murungi, holding 200 shares; and Mr. Mukwege and Mr. Gakwaya, each holding 100 shares. The company has been experiencing financial difficulties with its creditors. Two of the creditors, Muhire Supply Plc and GMD Ltd, have decided to file a lawsuit against Mr. Mukire, citing his wealth and his position as Chair of the Board of Directors, to recover the company's debts, believing he has the financial means to settle them. After the case was filed with the Commercial Court of Nyarugenge, Mr. Mukire was served a summons, requiring him to respond to the plaintiff's claims within 15 days of receiving the summons.

Required:

i) You are hired as his lawyer to defend his rights over the case. Basing on the institutional theory of the company, **discuss if Mr. Mukire is right over the case?** (3 Marks)

ii) As Ganza private limited company is causing a loss to the shareholders, Miss Mutoni is looking for someone who may inform her if there are any other business organisations that can help her to propose a decision of closing the company and open another business rather than a company. **Mention at least three other business organisations.** (3 Marks)

iii) **Distinguish a company with any other 2 business organisations.** (6 Marks)

b) KDBG Ltd is a private company limited by shares located in Kigali that got a loan of renovating its commercial building at FRW20,000,000,000 from one of the banks of Rwanda. KDBG Ltd has three shareholders in which Mr. Kazubwenge has 70% of the shares, Mr. Kamali 25% of the shares and Mrs Umunyana 5%. KDBG Ltd has signed a contract with the construction Chinese company to renovate the building on 15/08/2019 at FRW20,000,000,000 taxes including for 3 years. In the article 22 of the contract mentioned above provided that 5% of the price will be disbursed after the definitive reception. KDBG Ltd was given a grace period of 3 years of the construction and from August 2022 has started to pay monthly instalments. During the period when KDBG Ltd defaulted on its payments, the bank initiated the sale of the mortgaged property, which was the building itself. The construction company, a Chinese firm,

was not paid 5% of the sale price, amounting to FRW 1,000,000,000, as a guarantee because the sale was conducted by the bank. As stipulated in the contract, any disputes were to be resolved through institutional arbitration. Consequently, the Kigali International Arbitration Centre (KIAC) issued an arbitral award directing KDBG Ltd to pay the construction company the 5% guarantee along with FRW 500,000,000 as compensation for damages incurred.

The Chinese construction company has not yet enforced its arbitral award because KDBG Ltd has no other assets. Upon investigation, the company discovered that the loan default was allegedly caused by Mr. Kazubwenge, the majority shareholder and Chair of the Board of Directors, who misused the company's funds.

Required:

The construction Chinese company approaches you for legal advice on how it may get its FRW1,500,000,000. Analyse the case and advise accordingly. (8 Marks)

(Total: 20 Marks)

QUESTION FOUR

a) Mulisa Ltd is a public limited company by shares has a business in all districts of Rwanda. Its headquarters is based in Kigali but the branch of Muhanga District is considered as the main branch. As it is provided in article 111 of the Law N° 007/2021 of 05/02/2021 governing companies that the company must keep at its registered office, or at any other place in Rwanda the company records. The Office of the Ombudsman carried out the operational audit and requested different company records to test if really Mulisa Ltd complies with laws and regulations. During the audit, some documents were availed but others not for the justification that they were kept in branches namely Muhanga and Nyagatare Districts.

The staff of the Office of the Ombudsman informed them that even if they are allowed to keep its company records at any other place in Rwanda, there is a condition to inform the Registrar General of companies and have requested the evidence of informing him the change of location where the company records are kept but it failed to provide it.

Required:

i) Discuss the forms of records of a company that must be kept. (2 Marks)

ii) Provide your opinion on the timeframe provided for by the law for informing the Registrar General where the company changes the place at which its records are kept. (2 Marks)

iii) Discuss the records that must be kept at the registered office of the company (4 Marks)

b) Kayonza Investment Company Limited by shares was incorporated in June 2023 with a share capital of FRW40,000,000 and 400 shares. The company is owned by 10 shareholders and managed by 4 members of the Board of Directors with the daily staff including a company secretary led by its Managing Director. As it is provided for by article 173 of the Law N° 007/2021 of 05/02/2021 governing companies, one of the roles of a company secretary is to organise meetings of the Board of Directors and of shareholders.

Required:

i) A company secretary is not yet appointed but you are hired to serve its role provisionally because the Managing Director knows that you have learned company law, **inform him when the first annual general meeting of shareholders will be held basing on the company law.**

(2 Marks)

ii) **Advise the Board of Directors on the requirements for calling annual general meeting of shareholders**

(2 Marks)

c) Beta Public Limited Company by shares does a business of real estate and has many apartments for rent and sell. It has 5 shareholders with different shares and different class of shareholders who are Mr. Ganza (80 shares), Mr. Iganze (50 shares), Miss Ineza (40 shares), Mr. Rwema (20 shares) and Miss Uwase (10 shares). It has a share capital of FRW 200,000,000 and owns many commercial and residential buildings. From its creation in 2010, the value of a share was FRW1,000,000. As the business is expanding well, the Board of Directors have decided on 10/07/2024 to increase the value of the share to FRW5,000,000. The resolution was that each shareholder should pay the remaining money to get the value of FRW5,000,000 per share.

The resolution was informed the shareholders and claimed that it was not be possible because all shareholders do not have ability to pay the balance of the new value of the share. As the Board of Directors resolution is for the benefit of the company, they propose that the shareholders who are claiming not to implement such resolution that Beta Public Limited company by shares to give them the financial assistance and the Board proposes Miss Ineza, Mr. Rwema and Miss Uwase only.

Required:

As the candidate of company law, **comment on the legality of the resolution of the Board of Directors to give financial assistance of buying shares to three shareholders only.**

(8 Marks)

(Total: 20 Marks)

QUESTION FIVE

a) Umutara Ltd is a Private Limited company with a share capital of FRW50,000,000 and 5,000 shares. When it was incorporated, the company had 3 shareholders namely Mr. Kamali, Mr. Nduwayo and Mrs. Uwimana have subscribed 2,000 shares with the purpose of approaching other potential shareholders to join the company through 3,000 shares remaining.

Mrs. Uwimana has proposed to invite the public for subscribing to the remaining shares but Mr. Nduwayo is refusing this proposal even if he is not able to convince his position. Mr. Kamali suggests that both strategies could be used for easily getting the shareholders that will help the company to operate with its full share capital.

Required:

- i) **Argue who is right and justify your answer.** (2 Marks)
- ii) **Discuss on the procedures for transfer of shares that could be used by Umutara Ltd to its current and future shareholders.** (5 Marks)

b) Prime Deal Ltd is a public limited company by shares and was incorporated in 2010 for providing IT services. In 2022, the company started to face the financial difficulties of paying its creditors because its products were hacked and many of its clients terminated the contract. Even if it has passed in that situation, the issue was resolved by working with strong IT security company which is called Microsoft.

In the meantime, it defaulted to pay its debts that are due and some of the creditors are thinking of lodging a case to court for liquidation. One creditor, after analysing the issue with its past history finds out that if Prime Deal Ltd is given a certain period of reorganisation, it can clear all areas and the business goes on as it was but he does not know which legal framework to use.

Required:

- i) As a candidate of company law, **name the legal arrangement that can be used to ensure that Prime Deal Ltd is given time of reorganisation and mention the persons allowed to propose such arrangement.** (4 Marks)
- ii) **If this legal arrangement is approved, the required person has to propose a plan. Discuss the content of the plan.** (9 Marks)

c) A United States of America tourism company called Bridge LLP needs to have its branch in Rwanda because it has found an opportunity to expand its business based on the brand of “Visit Rwanda” that makes it known worldwide and attractive to tourism. In the United states of America, a company registered abroad does not require to register again in USA, it recognises that registration of a company. Bridge LLP has requested to operate in Rwanda without registering it to the Registrar General basing on the law of USA and it is contemplating that it should be taken as domestic company.

In those discussions, it was noted that the name Bridge LLP itself is confusing with the name that is already registered by the Registrar General for the similar business.

Required:

- i) **Define a foreign company under Rwandan company law.** (1 Mark)
- ii) **Discuss if Bridge LLP will be registered or not to the Registrar General of Companies and provide the details** (6 Marks)
- iii) As the name of Bridge LLP is confusing with the registered company in Rwanda doing the similar business, **discuss the legal arrangement of this situation.** (1 Mark)

- iv) The Law N° 007/2021 of 05/02/2021 governing companies has provided the situations in which a foreign company can enjoy national treatment. **List them** (2 Marks)
- (Total: 30 Marks)**

QUESTION SIX

a) In the annual general meeting of shareholders of the Mahoro Private Limited company, a discussion held on the misuse of the funds of the company. The majority shareholders argued that the company was well managed and that the issues highlighted by one of the shareholders are based on the rumours circulated by some staff due to the reforms that are under process in the Mahoro Private Limited company. The rumours mentioned that the amount of FRW200,000,000 was misused by the staff and some shareholders, some members of the Board of Directors involved. The Managing Director of the company highlighted that the company was progressing well but some staff who were dismissed are circulating false information as a revenge. Some shareholders asked different questions related to the issues, the Managing Director and the Board of Directors failed to convince them for their dismissal and the issue of mismanagement of the company.

As the said involved in the issues are two majority shareholders and some members of the Board of Directors, they failed to get any resolution for investigating the issues. After the meeting, the unconvinced shareholders who have 5% of the share capital sat to discuss what they may do to know what really happened. They got information that the Minister and Registrar General of companies can order investigations into the business of a local company or of a foreign company having its branch in Rwanda but they do not know the requirements.

Required:

- i) As a candidate of the company law, **discuss the requirements for the Minister to issue instructions requesting the Registrar General to investigate into the business of a local company or of a foreign company having its branch in Rwanda.** (6 Marks)
- ii) After finishing the annual general meeting of shareholders of the Mahoro Private Limited company, a shareholder who is a friend of the Registrar General of companies informed him the issue and requested him to intervene. **Do you think the Registrar General can order investigation without the instructions of the Minister? Justify your position.** (4 Marks)

b) GMZD Public company Limited by shares, ZARQ Private Company Limited by shares and Guvu Public Limited by shares listed in the Rwanda stock exchange market both specializing in local beer production have agreed to merger and form Rwanda beer production public company limited by shares.

Guvu Public Limited by shares is a market leader in emerging segments of the industry especially in the production of the admired beer in the whole country. Guvu Plc has demonstrated strong growth performance in the sector countrywide in the previous 5 years and the trend is projected to remain as customers have demonstrated in the different surveys conducted.

A combined company would benefit from Guvu Plc's established presence in the growing market as it will remain only one company in the sector and the scale and expertise of other both companies merged. Together they would combine for expansion and diversification, optimum economic benefits, risk strategy, scaling up operations for competitive advantages, tax Benefits, increasing the efficiencies of operations, reducing overheads for cost reduction and access foreign markets.

Required:

- i) All three companies are willing to amalgamate, believing that the amalgamation will benefit the shareholders of each. However, they are uncertain about the legal requirements for authorizing the amalgamation. **As a candidate in company law, discuss the legal position regarding the prerequisites for authorizing an amalgamation, outlining the necessary legal steps and considerations** (4 Marks)
- ii) The amalgamation of the companies should be authorised by the Registrar General of companies based on the documents submitted to him. **Discuss the incorporation documents required.** (6 Marks)
- c) The shareholders of Guvu Plc after 5 years of operations, they find out that it is not progressing well as it has many cases in courts, it is not paying well the debts that are due and many more challenges in the business. During the extra ordinary meeting of the shareholders, they have decided to stop the business and request the Registrar General to remove it from register of companies. The meeting suggested that the Managing Director has to hire an expert in the matter to draft a legal opinion on how the company will be removed from register of companies without future problems related to the removed company.

Required:

- i) You are approached to provide a legal opinion on how Guvu Plc should be removed legally, **discuss the grounds for removal of a company from the register of companies** (5 Marks)
- ii) Basing on the case scenario above, **advise the ground Guvu Plc should base on requesting to remove it from the register of companies** (2 Marks)
- iii) When Guvu Plc requested the Registrar General of companies, one of its creditors lodged an objection to remove it from the Register of companies because it is collecting evidences to file a case against the company to court. **Do you think the Registrar General will remove it? Justify your position.** (3 Marks)

(Total: 30 Marks)

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