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**CERTIFIED PUBLIC ACCOUNTANT**  
**INTERMEDIATE LEVEL EXAMINATION**  
**I1.3: COMPANY LAW**

**DATE: WEDNESDAY 26, NOVEMBER 2025**

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**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 4 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) Childhood friends who live in the same neighborhood in Muhanga, namely Paul, Nyibwizi, Ntampaka, Kalinda, and Robert, were sharing a glass of beer during the festive season and discussing how their friendship could generate income. Paul proposed that they buy ordinary shares in one of the largest telecommunications companies in Rwanda, which has been making good profits according to its financial statements; on the other hand, Kalinda was of the opinion that debentures were better than shares because he considered them to carry lower risk. As a result, they had a heated debate about the two investment opportunities; noticing that they were not agreeing, Ntampaka proposed seeking an expert's opinion on this subject matter, as the questions raised were very complicated for all of them, and he decided to call you, who are studying Company Law as a Certified Public Accountant (CPA), for further clarification

**Required:**

- i) Explain to them the difference between ordinary shares and debentures (6 Marks)**
- ii) Identify and explain the main classes of shares a company may issue (4 Marks)**
- iii) Advise the friends on the advantages that debenture holders have over ordinary shareholders (4 Marks)**

b) Ngongono Ltd is a domestic public company limited by shares, registered in Nyarugenge District, and it operates construction projects in three countries, namely Rwanda, Tanzania, and Uganda, with several assets in each country held in the company's name. It has many shareholders across the East African countries, including Rwanda; among the shareholders are your friends Billy and Blacky, who purchased the company's shares several years ago but did not pay the full value at the time the shares were issued through a prospectus. As they are enjoying a glass of beer, Blacky tells you that buying the shares was a good decision; upon hearing this, Billy tells Blacky that he still has an obligation to the company.

**Required:**

- i) As accompany law student who has knowledge in company law, advise the two friends on shareholders liabilities. (7 Marks)**
- ii) Enumerate powers that a company may exercise as a legal entity. (4 Marks)**

**(Total:25 Marks)**

### **QUESTION TWO**

a) Kegar Ltd is a company based in Muhanga that deals in processed fruits and drinks. Over the years, it has been making losses and is now facing a financial crisis, so the directors met and proposed changes to ensure the company does not come to an end. Mr. Bumenyi, one of the directors, proposed that the best solution would be an internal reconstruction rather than an external one; however, the other directors were of the view that the company needed additional funds, and therefore an external reconstruction would be ideal. After careful

deliberations, they opted to pursue either an amalgamation or to accept a takeover by a friendly predator company, as they had become a target for other already established companies.

**Required:**

- i) By giving examples, contrast an internal reconstruction from an external. (4 Marks)**
- ii) Explain the difference between a hostile predator and a friendly predator. (4 Marks)**

b) Excel Ltd is a public company incorporated in Rwanda several years ago, specializing in the food-processing industry, with four directors: Nziza, Umutoni, Kalinda, and Alexis. For the financial year ended December 2022, the directors proposed and declared a dividend of FRW 100 per share. Nziza and Umutoni argued that there was no need for the company to call a meeting, as it was within the directors' powers to declare dividends and to borrow money to facilitate the company's operations. At the beginning of the year, the existing auditor resigned, citing malpractices within the company that could not be rectified because the directors had refused to call a shareholders' meeting for two consecutive years. Nziza, the chief executive director, then appointed one of his long-term friends, Mahela, as the auditor. Kelia, one of the shareholders, requested an inspection of the books of account, which the directors refused on the basis that the accounts had not yet been audited. Feeling aggrieved, she wrote to the directors claiming that her rights were being violated, as the company belongs to the shareholders, who should be able to exercise their right to oversee the company's operations

**Required:**

- i) Kelia is now seeking your advice, as a company law expert advice Kelia on the areas of shareholders rights that have been violated by the directors. (4 Marks)**
- ii) Explore any other FOUR rights that shareholders have by virtue of shares to company operations. (4 Marks)**
- iii) Explain how derivative action by shareholders as right can be used to address the above case. (4 Marks)**

c) Savanah Woodland Limited is a private company that operates hotels for tourism in several East African countries, including Rwanda, with offices in Musanze and its headquarters in Kenya. In recent years, it became one of the biggest contributors to foreign tourist inflows in Rwanda; however, after the death of its founder in 2021, the company's operations declined and it is now unable to meet its obligations. A government audit conducted in 2023 revealed extensive malpractices, some of which involve breaches of obligations by foreign companies under the Companies Act. The Registrar General of Companies has raised the alarm about these red flags.

**Required:**

**Define and examine the key obligations of foreign companies (5 Marks)**  
**(Total:25 Marks)**

### **QUESTION THREE**

a) Mwana, Baba, and Mama, who are among the richest persons in Ruyenzi, decided to open a business and call it Familia, with Baba as the sole owner assisted by the others, or possibly as a protected cell company. However, they are unsure which form of business to adopt, as they wish the business to last for the next 100 years. They also want not only to make a profit but also to assist the community. Baba suggested that they need a form of business that can minimize their liability and be managed by directors. They all agreed, but Mwana suggested that a partnership would be best, or that they could buy shares in a company whose headquarters are based in New York. After discussions, they agreed to form a company limited by guarantee as a private company, which would later be converted into a public company limited by shares

**Required:**

**Identify and classify the business forms discussed in the scenario and briefly explain each, noting liability, management, and purpose per form. (6 Marks)**

b) Gahima and Kelia wish to start a business providing logistics and transport services. Kelia says the best form of business to start is a private company, while Gahima is of the view that, since the business will provide services to the public, they should register a public company. They have approached you for advice on the differences between these two forms of business.

**Required:**

**As a company law expert, examine the difference between public and private company. (4 Marks)**

c) After working for many years as employees of a telecommunications company, Mandevu and Kinyozi resigned from Dotcom Ltd and decided to form their own company in Kigali, which they did in March 2023, appointing themselves as directors and hiring two employees. However, relying on their experience and the trust they had built in Kigali, Kinyozi had earlier signed a contract with Mwiza in November 2022 to supply electronics. By February, the electronics had not been delivered, even though Mwiza had already paid the money to Kinyozi. Mwiza is aggrieved that Kinyozi entered into a supply contract when the company did not yet exist, and she has decided to seek advice from a third party

**Required:**

**i) Explain the validity of the contract signed between Mwiza and kinyozi vis-à-vis the new company. (4 Marks)**

**ii) In relation to laws of Rwanda, explain the provisions that govern such contract. (6 Marks)**

**(Total: 20 Marks)**

## **QUESTIO FOUR**

Sunshine Ltd is a private company engaged in road construction in Rwanda. It has many uncompleted contracts and is facing court cases brought by creditors in various districts. Its shareholders hold different classes of shares, and the company's share capital is FRW 10,000,000,000. Recently, the company received a notice from the Registrar General of Companies of an intention to remove the company from the register.

**Required:**

- a) Explain the consequences of removal of sunshine Ltd from the register of companies.** (4 Marks)
- b) As a company law student, enumerate various grounds for removal of company from the register of companies.** (10 Marks)
- c) Highlight the key contents of a notice of removal from the register of companies by the Registrar General of companies.** (3 Marks)
- d) State any right of the company in regard to its removal from the register of companies.** (3 Marks)

**(Total: 20 Marks)**

## **SECTION B**

### **QUESTION FIVE**

**a)** Musanganire Collins is a shareholder of Elka Public Limited Company (EPLC) which was incorporated in 1985 and was a manufacturer of the best quality cigarettes in Rwanda. It made huge profits during the period of business and the shareholders were very excited. However, in 2013 the government restricted the manner and the processes of cigarette production and sale. The company tried to stay afloat but it has become practically impossible to make any other profits. A lot of money was invested in the machinery which cannot be converted to any other use. Some shareholders are of the view that the company be liquidated and be dissolved while other shareholders are against the dissolution of the company. The articles of association provides that when the company is struggling to make profit the company should be liquidated. Musanganire is confused as to the position to take against the backdrop on the division on the members as to the action to be taken

#### **Required:**

**i)** In your opinion, **is it possible for the members to make a resolution to liquidate the company? If not, possible what shall be the way forward?** (4 Marks)

**ii)** As a student of company law, **explain to Musanganire Collins the position of law on disappearance of the legal personality.** (6 Marks)

**b)** Nyamirambo Private limited Company was incorporated in May 2020. The expected capital which was anticipated was not forthcoming and time was moving very fast. Mukamukama Esperance the only director of the company and in consultation with some shareholders decided to issue a prospectus to the public so that many people will subscribe for the shares. In the meanwhile, the friends of the directors convinced her to look for people who can give the company a loan secured with debentures. The friends further told her to see the possibility of enlisting the company in the stock exchange and in that way many people will know about the company and then they can subscribe for the shares wherever the prospectus is circulated. Indeed, a good number of shares were purchased and there were prospects that the company shall be able to achieve the desired capital with which they can comfortably undertake their business with ease.

#### **Required:**

**i)** As a student of company law, **do you agree that Nyamirambo Private Limited company exhausted the mechanisms of raising more capital. Advice Mukamukama the best approach she can employ to raise sufficient capital for the company.** (6 Marks)

**ii)** **Explain the position of law on restriction on public offers by private company.** (4 Marks)

**c)** Nyambene Public Limited company held its Annual General Meeting in the month of August 2024. In the AGM a number of reports were shares among them being the annual accounts reports, auditor's report, the report of the members of the board of directors to mention but a few. During the time of discussing and adopting those reports, Umutesi Grace who is a shareholder was not feeling very well and she did not attentively capture the proceedings. However, she was confident that at an appropriate time she is going to receive

the said reports for her consumption. She was specifically concerned with the amount which were to be paid as dividends and the amount which shall be carried to the reserves. In addition to the information that Umutesi expected she also anticipated to receive information on any other disclosure which is necessary for the interest of the shareholders. Five months down the line from the company's accounting reference date and such information is not yet available. Umutesi is feeling frustrated and she is of the opinion that her rights as a shareholder are violated and she is intending to sue the directors of the company.

**Required:**

- i) As a student of company law, **do you think Umutesi is justified to sue the directors?** (2 Marks)
- ii) **Explain to Umutesi the position of law on shareholders right to information and the time frame upon which information should be availed.** (6 Marks)
- iii) **Enumerate FOUR contents of the report of the members of the board of directors.** (2 Marks)

**(Total: 30 Marks)**

**QUESTION SIX**

Rwad Public Ltd Company is a well-established and known company in the line export. The company has been in existence for more than four decades. Many people have invested in this company and many more are investing. In late 2021 Solomon Aimee, Lazaro Edlewis and Alexis Joan having taken up substantial number of shares each in the company, approached the company and they wanted to go through the records of the company including the accounting records in order for them to take stock of the performance of their new company. The company secretary was very reluctant to provide them all the documents requested as he explained that they can be given only few of the records but not the accounting records. According to these three shareholders they are aware that company records are public including accounting records.

**Required:**

- a) Citing the Law N° 007/2021 of 05/02/2021 governing companies in Rwanda, **do you agree with Solomon Aimee, Lazaro Edlewis and Alexis Joan that company records including the accounting records are public records?** (2 Marks)
- b) **Explain any FOUR such company documents which are kept in the company's registered office.** (6 Marks)
- c) **Enumerate any FOUR examples of the accounting records which is kept in the registered office of the company.** (4 Marks)
- d) **Explain the FOUR contents found in the register of the shareholders and debenture holders of the company kept at the registered office.** (6 Marks)
- e) **Under whose duty are the accounting records maintained and made available for inspection?** (2 Marks)
- f) **What are the duties of directors in relation to annual accounts?** (3 Marks)
- g) **The auditor's report must comply with applicable auditing and assurance standards.** **Outline any seven contents of the auditor's report.** (7 Marks)

**(Total: 30 Marks)**

**End of Question Paper**