



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

COMPANY LAW: MMS205

END OF FIRST SEMESTER EXAMINATIONS

APRIL/MAY 2020

LECTURER: (C. Munguma)

DURATION: (48 HRS)

INSTRUCTIONS

1. Answer 1 **QUESTION** from **the THREE** questions in the question paper.
2. You have 48 hours (2 days) to complete and submit your answer o

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3. Answers to questions must be supported by valid legal sources.

Question 1

Chemco (Pvt) Ltd is a registered company in terms of the laws of Zimbabwe. The company has three directors. The directors are also the entire shareholders of the company. The directors are Sam and his wife Joyce and their daughter Ratidzo. The company manufactures chemicals used in mining business and because of a recent boom in the mining industry the company is doing well. The company recently bought two immovable properties in upmarket Harare from the profits made. Ratidzo and her husband stay in one of the recently bought properties and pay nominal rent to the company of RTGS30 per month. Sam, Joyce and Ratidzo drive top of the range company vehicles.

Sam ventured into a new business of milling mealie-meal through another company. The company in the milling business was called White Milling (Pvt) Ltd and has the same shareholders as Chemco (Pvt) Ltd. The milling business was a total failure and a number of creditors for the milling business are after the company property. All the milling company property has been recently attached in execution to pay off creditors. One creditor a bank is owed a loan of \$100 000 which is not secured. The bank has obtained a court judgement against White Milling to recover the money. When the bank realizes that another company “owned” by Sam is trading successfully it has proceeded to attach three motor vehicles owned by Chemco (Pvt) Ltd in order to recover the loan. The attached vehicles are used by Sam, Joyce and Ratidzo.

Chemco has approached the courts demanding that the bank should not attach its property for a debt owed by the milling business since that debt is not a company obligation. The bank disputes that.

Required

- a) As the legal practitioner acting for Chemco (Pvt) Ltd write the submissions/arguments you will file in court in support of Chemco’s case against the attachment of its property. [13marks]
- b) Advise the directors of Chemco in an internal memorandum the prospects of success of the case of the company against the action of the bank. [12marks]

Question 2

John and his friend Samuel have 20% shareholding each in a small private company. The remainder of the shareholding is held by Shah a business man of Asian descent. John, Samuel and Shah are also directors of the company. Of late Shah has been sidelining John and Samuel from major decisions of the company. Shah has opened company branches in other towns and cities without consulting or informing the other shareholders and directors. Two long time and trusted employees were retrenched by Shah acting on his own account. In a recent AGM John and Samuel’s argument was vetoed by Shah and the retrenchment of the two trusted employees was approved by the AGM. John and Samuel are helpless.

Explain whether John and Samuel have any recourse according to the Company law of Zimbabwe? If so, what are the remedies available to them? [25marks]

Question 3

Analyse whether the common law duties imposed by the law on company directors have any application in Zimbabwe. You must provide practical examples and case law where necessary. [25marks]

END OF PAPER