



“Investing in Africa’s future”

COLLEGE OF BUSINESS, PEACE, LEADERSHIP & GOVERNANCE

MAC205: COMPANY LAW

END OF SECOND SEMESTER FINAL EXAMINATIONS

APRIL/MAY 2019

LECTURER: C. MUNGUMA

DURATION: 3 HRS

INSTRUCTIONS

Answer **QUESTION 1** from **Section A (COMPULSORY)**

Answer any **THREE** questions from **Section B**

Marks allocated to each question are indicated in brackets at the end of the question.

DO NOT repeat material.

SECTION A

Question 1

Tsola (T) sold a piece of land to John for \$50 000 on the 1st of January 2019. Tsola received the full purchase price from John on 5 February 2019. The economy nosedived soon after the sale as result of which T did not want to pass transfer of the land to J as he wanted more money for the land. In a bid to frustrate John, T formed a company, Moonvale (Pvt) Ltd. Soon after forming the company he purported to sell the same land to the company. This was done on 20 February 2019. In order to evade specific performance of the contract of sale of the land he conveyed the land to Moonvale by registering a deed of transfer in favour of the company. The sole directors and members of the company were T's wife and son. T was listed as the company secretary in the company register.

When John discovered this development he sued T and Moonvale (Pvt) Ltd for an order that the land be declared his and for an order of transfer of the land to him. T the seller approaches you for legal advice on whether he can successfully defend the claim. Advise him on the following:

- a) His prospects of success in defending the legal case. [10]
- b) Whether the agreement of sale from T to Moonvale can be allowed to stand. [15]

SECTION B

Question 2

- a) "The principle in *Dadoo Ltd v Krugersdorp Municipality* is the bedrock of modern company law". Discuss the main principle dealt by the court in the case. [20]
- b) In what circumstances would you advise a client to register a company as a public limited company as opposed to a private limited company? [5]

Question 3

- a) Paul a promoter is in the process of incorporating Value (Pvt) Ltd and has ordered goods to be used by the company. He has signed the order form as follows; "Paul, for and on behalf of Value (Pvt) Ltd" Explain whether Paul will be liable if the goods are not paid for by Value (Pvt) Ltd? [6]

- b) “If a company enters into a contract for a purpose not specified in its memorandum of association, the contract is completely void”. Discuss the accuracy of this statement in relation to companies limited by shares in Zimbabwe? [15]
- c) Distinguish between a public company and a company limited by guarantee? [4]

Question 4

Wembo has recently been appointed a non- executive director of Zed Ltd. Wembo has never acted as a director before and has approached you as the company secretary of Zed Ltd for advice and orientation. You are required to prepare a memorandum to Mr. Wembo explaining to him the duties he owes under company law as a director of Zed Ltd to:

- a) Shareholders [15]
- b) The creditors and [5]
- c) Other board members [3]
- c) The employees [2]

Question 5

- a) Explain the concept of majority rule in company law.[5]
- b) What powers are given to minority shareholders by the common law and statute to protect them from being unfairly treated by the majority shareholders? [20]

Question 6

- a) The winding up of a company may either be a winding up by a court or voluntary winding up. Distinguish between voluntary winding up and winding up by a court. [5]
- b) State and analyse the grounds for compulsory winding up of a company. [20]

End of Paper