



**MANICALAND STATE UNIVERSITY
OF
APPLIED SCIENCES**

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT OF BUSINESS MANAGEMENT

BUSINESS LAW 2

MODULE CODE: HBM 211

SESSIONAL EXAMINATIONS

SEPT/OCT 2021

DURATION: 3 HOURS

EXAMINER: MR S SIZIBA

INSTRUCTIONS

- 1. Answer all questions in Section A and any three questions in Section B.*
 - 2. Section A carries 40 marks whilst Section B carries 60 marks.*
 - 3. Total marks 100.*
 - 4. A clear and unmarked copy of Companies Act 24:31*
 - 5. Credit will be given for appropriate use of examples.*
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SECTION A:

(Answer all questions in this section. Section A carries 40 marks)

Question 1

Ferrycum Ltd was registered in accordance with the Zimbabwean law on 1 June 2018 as a public limited company. The company was issued with a certificate of incorporation in July 2018. The company's objects clause empowers it to manufacture perfumes, body creams and other beauty products. In addition, the company will operate as wholesalers of beauty products to the retail sector. The board of directors for the company recently held their regular meeting and resolved to appoint an Audit committee and Company secretary who will be the gatekeepers of corporate governance in the company.

- a) Explain the term corporate governance and its importance to the success of a company. **(10 marks)**
- b) Company management should include holding of meetings for the proper administration of companies. Explain the main types of meetings that companies hold. **(10 marks)**
- c) Good board practice requires the appointment of a company secretary. Explain the qualifications and duties of a company secretary in a registered company. **(10 marks)**
- d) Comment on the common law and statutory duties of directors in a company like Ferrycum Ltd. **(10 marks)**

[Total marks 40]

Section B: (60 marks)

Attempt any three questions

Question 2

Demonstrate the importance of these to the management and administration of registered companies according to Companies Act 24:31.

- i.** Annual general meeting **(5 marks)**
- ii.** Promoter **(5 marks)**
- iii.** Pre incorporation contracts **(5 marks)**
- iv.** Ultra vires doctrine **(5 marks)**

[Total marks 20]

Question 3

In relation to Company Act 24:31, a registered company can raise its capital through the issue of shares.

- a) Explain the various classes of shares that are available to a company as sources of capital. **(10 marks)**
- b) State and discuss the major statutory provisions which seek to protect the share capital structure of a registered company in Zimbabwe.

(10 marks)

[Total marks 20]

Question 4

- a) In relation to company law state the major differences between a private limited liability company and a public company. **(10 marks)**
- b) “The effect of a statement of the objects of a company whether in its memorandum or elsewhere, shall not be to invalidate any transaction which exceeds those objects and which was made by the company or entered into by the company with any other person, notwithstanding that the other person

was aware of the statement of the objects.”

Discuss the nature of the changes to the *ultra vires* doctrine introduced by the Companies Act, Chapter 24:31. (10 marks)

[Total marks: 20]

Question 5

A promoter has some executive functions in the company, which are very critical to its formation. The law therefore imposes a number of duties that have to be observed by any person involved in the promotion of the company.

Explain the duties of a company promoter and provide the remedies for breach of such duties using case law and statutory provisions of Company Act 24:31.

(20 marks)

Question 6

a) Explain the reasons why a company maybe placed under judicial management. (12 marks)

b) Winding up of a company strips the company of its legal status and existence at law. With reference to the Companies Act 24:31, explain the role of the liquidator. (8 marks)

[Total marks 20]

END OF PAPER!