



RIARA LAW SCHOOL

UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS (LLB) DEGREE & PRE

KSL

MAY – AUGUST 2024

RLB 308: LAW OF BUSINESS ASSOCIATION II

INSTRUCTOR: DR WILSON NGIGI

INSTRUCTIONS

1. This is the final examination in Financial Services Law. You will earn 70% of your final grade from this final examination and 30% from Continuous Assessment Assignments.
2. This examination has **THREE** questions. Please answer **ALL THREE QUESTIONS**.
3. This examination has 3 pages, including this one.
4. Time allocated for this examination is **TWO** (2) hours. You must stop writing when the time is called.
5. Please sign the roll sheet when you turn in your answer sheet. If you fail to sign the roll sheet, we shall have no way of establishing that you sat for this examination and your marks will not be reported.
6. This is a **CLOSED BOOK** examination. .
7. Read all the questions first before beginning to answer any of them. You will have **15 minutes** of reading time before you start writing. Questions about the exam should be asked before you commence writing.
8. Start with the one you feel most comfortable with, and only move on to the next problem when you are certain you have completed it perfectly.
9. It is in your best interests to write legibly. RELAX, AND ALL THE BEST!
10. This examination is governed by **Riara University Academic Honesty Regulations**. Students who violate those regulations will be penalized. Students have an obligation to report to the invigilator any incidences of academic dishonesty compromising the integrity of this examination.

Question 1.

City Innovative Designs Ltd (CID) is a company that designs and manufactures office furniture and interiors for high-end clients in the City of Nairobi. It was incorporated in 2016 with unamended Model Articles for Private Companies. In its latest filed accounts, CID's net asset value was Kshs.11,100,000.

Hiba Ahmed holds 8% of CID's shares. She has never been formally appointed as a director but has, for the last five years, regularly attended and participated in board meetings. She has 12 years' experience in the office and furniture design business and has been able to provide invaluable advice to CID. Hiba and CID's board have now agreed that Hiba should be formally appointed as a director of the company, with a service contract that is terminable on three months' notice by either party.

CID's board has recently been seeking new premises. Hiba has proposed that, as part of the arrangements for her joining the board of CID, the company will lease from her a suitable property she currently owns, for an initial premium payment of Kshs. 12,000,000. The lease would be for 10 years at an annual rent of Kshs. 600,000 and would be entered into as soon as she has been appointed as a director.

Hiba has told you that she also owns, jointly with her sister and a cousin, an interior design partnership based in Westlands and has worked for it one day a week for the past five years. She would want to continue her involvement in the partnership after her formal appointment as a director of CID.

Hiba is seeking advice on the following:

- (a) the duties to which she will be subject as a director of CID; *(12 marks)*
- (b) the steps required to implement her formal appointment and grant her service contract; *(8 marks)*
- (c) the implications of CID leasing the premises from Hiba. *(10 marks)*

(Total: 30 marks)

Questions 2.

Critically analyse whether a parent company can ever be held responsible for its subsidiary's liabilities. *(20 marks)*

Question 3

Critically evaluate the protections available to minority shareholders under section 780 of the Companies Act 2015.

(20marks)