

**COVENANT UNIVERSITY
NIGERIA**

*TUTORIAL KIT
OMEGA SEMESTER*

**PROGRAMME: BUSINESS
ADMINISTRATION**

COURSE: BUS 323

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BUS 323: COMPANY LAW

TUTORIAL QUESTIONS

QUESTION.1

Mention the legal effects of these types of partnership:

- a. A partnership of Medical Doctors numbering 70.
- b. A partnership of lawyers with 35 partners.
- c. A partnership of stock brokers numbering 20

Solution

A partnership of Medical Doctors numbering 70 is illegal because by virtue of the provisions of section 19(3) CAMA it is illegal to form a partnership of more than 20 persons (except partnership of certain professionals like Accountants and Lawyers) in the case of AKINLOSE .V.AIT the Court declared an association of more than 100 members registered as a partnership to exploit timber as an unlawful association.

QUESTION .2

When may a minor below the age of 18 years joint in the formation of a Company under the CAMA 2004 LFN.

Solution

When he is joined by two or more adults who are not otherwise disqualified as member of a Company and who has already subscribed to the Memorandum and Articles of Association of the Company.

QUESTION .3

State the type of Company which must hold a statutory meeting, the period within which it must be held and the general purpose of the meeting.

Solution

Public Company; 6 months after incorporation, to give the shareholders the first progress report about the Company.

What you understand by the veil of incorporation? Discuss the reasons why the Court may lift or crack the veil of incorporation of a Company.

QUESTION 4

What you understand by the veil of incorporation? Discuss the reasons why the Court may lift or crack the veil of incorporation of a Company.

Solution

The Company becomes an artificial person capable of suing and being sued. The Company enjoys perpetual succession and become a juristic person. This status of the Company as corporate person has been abused. Member used it for improper conduct and commission of fraud. Upon incorporation the Company becomes a veil covering the faces of the members that form it. Whatever the Company does cannot be ascribed to the members and vice –versa.

The Court will lift the veil or incorporation under the following situations:

1. Agency and Trusteeship : Where the shareholders use the Company as an agent or the Company holds its property as a trustee for its shareholders, they will be liable for the debts of the Company
2. Fraud or improper conducts: Where a Company is set up for improper motive or perpetuates rate fraud or evasion of legal obligations, the Court will lift the veil of incorporation to discover the face of people behind the Company.
3. Public Policy: The Court will lift veil of incorporation if it is in the public interest to do so.

QUESTION 5

Mention two duties of promoters of a Company

Solution

- Not to make any secret profit from the promotion.
- To disclose his interest in any transaction with the promotion.

QUESTION 6

Briefly state the contents of notice of meeting of a Company.

Solution

The notice of a meeting shall specify place, date and time of the meeting and the general nature of business to be transacted thereat in sufficient details to enable those to whom it is given to decide whether to attend or not where the meeting is Section 218 CAMA.

QUESTION 7

State in brief the content of the memorandum of Association

Solution

- Name of the proposed Company.
- Registered office of the Company.

- The object or business of the Company.
- Capital- the amount of authorized shares capital and it's division into shares.
- Limitation of liability
- Subscribers' clause – the subscribers take at least 25% of the authorized share capital.
- Restrictions if any of the power of the Company.

QUESTION 8

In what specific ways are the Memorandum and Articles of Association applicable to the regulation of the activities of an incorporated entity bearing in mind the relevant provisions of the Companies and Allied Matters Act, 2004?

Solution

The Memorandum of Association regulates issues that are relatively external are integral to ascertaining the identity, founding membership, initial share capital and nature of business activities that are attributable to the company upon incorporation; whilst the Articles are concerned with regulating the mode in which the internal operations of the company are to be conducted and thus focuses on matters such as quorum for meetings, voting procedures, notices, appointment and retirement of directors, winding up amongst other associated issues.

QUESTION 9

Distinguish between shareholders and debenture holders taking account their legal status in relation to the company?

Solution

The shareholders usually constitute the greatest number within the overall structure of the company. By subscribing for shares of different classes that are entitled to dividends whenever the company approves the payment of such. They can also be regarded as part owners of the company by reference to the number of shares allotted. On the other hand, debenture holders can be regarded as creditors to the company and their interests only subsists relative to the repayment of the loan and interest on principal sum as agreed.

QUESTION 10

Discuss the circumstances that would usually compel the court to protect the interests of the minority in the company in light relevant statutory provisions and decided cases in this regard?

Solution

The company carries out its objects based on the decision of the majority, however in certain situations the court will be inclined to protect the interest of the minority based on a valid application. This include; when there has been non compliance with articles as regards the voting procedure on certain matters, where the actions of the directors is inconsistent with objects, is illegal amongst others expressed in CAMA, 2004

QUESTION 11

Briefly discuss four (4) instances or scenarios that disqualify an individual from acting as the director of a company in Nigeria

Solution

Directors can be disqualified in cases where he is certified bankrupt, as been guilty of fraud in relation to managing the affairs of a company amongst others as expressly provided in the relevant provisions of CAMA, 2004

QUESTION 12

Distinguish in specific respects between a private limited liability company and public limited liability company

Solution

Pursuant to the relevant provisions of CAMA, 2004 public and private limited liability company can be distinguished on basis of, membership, mode of conducting meetings and making resolutions, access to the public for funds or sale of shares, disclosures of records amongst others.

QUESTION 13

Describe the statutory nature and duties of a director as provided for in CAMA, 2004

QUESTION 14

Discuss the consequences attributable to a director that acts in breach of his fiduciary relationship with the company bearing in mind provisions of CAMA, 2004 as well as relevant decided cases on this issue

QUESTION 15

Discuss the historical importance of the company law principle of corporate legal personality whilst emphasizing its contemporary relevance for company's operating in Nigeria's peculiar business environment

QUESTION 16

In light of the need to regulate incorporation of companies in Nigeria, state five (5) functions of the relevant regulatory body in this regard?

QUESTION 17

In light of the relevant provisions of CAMA, 2004, discuss at least three ways by which a person can be appointed on to the board of a public company limited by shares, and how are vacancies on the board filled depending on circumstances of each case

QUESTION 18

What is the effect of registration of a Company?

QUESTION 19

State the various Incorporation documents.

QUESTION 20

Who are the persons entitled to receive notice of a general meeting under section 219 of CAMA.

Under section 20 CAMA the following individuals are prohibited from joining in the formation of a Company.