



CS PART II SECTION 4

CORPORATE SECRETARIAL PRACTICE

THURSDAY: 23 May 2019.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

BIDII GROUP LTD. (BGL)

Bidii Group Ltd. has rapidly expanded into one of the largest group of companies in Africa, thanks to the political and business acumen of its founder and majority shareholder, Bakari Mapesa, who also serves as the group Chairman and Chief Executive Officer.

The shareholders of Bidii Group Ltd. are about five thousand. Bakari Mapesa owns 60% of the issued share capital. As Bidii Group's Chairman and CEO, Bakari Mapesa was recognised as one of the continent's most successful businessmen and has also received many international accolades for his achievements.

To attain this success, Bakari Mapesa has maintained total control of the group, with all major decisions being formulated in his office. He single-handedly appoints senior managers and directors for all Bidii group affiliates and subsidiaries. The appointees must have absolute allegiance to him. Bakari Mapesa's astuteness, global focus, dominance of all decision-making and unmonitored control of the group has significantly led to the growth of the group of companies.

Owing to the fact that Bakari Mapesa is a very busy person and has no time to chair formal board meetings of the group and affiliate companies, it has generally been agreed that there is no need for such meetings. Instead, minutes are drafted at the Chairman's office with resolutions based upon his instructions. Directors then pass by his office every morning to sign the minutes and attendance register as they collect their sitting allowances. This has helped the company make savings in terms of time and other resources. In the recent past, among the resolutions that have been signed by the directors include amendment of the company's articles of association to allow the Chairman to recruit or remove statutory auditors and directors as well as set their remuneration.

The reviewed articles of association have no provision for annual general meetings (AGM). Directors view AGM's as destructive due to unnecessary questioning and politics by members during such meetings.

You have recently been appointed as part-time Company Secretary for Bidii Group Ltd.

Required:

(a) Advise the Chairman and the Board of Bidii Group Ltd. on:

- (i) Six elements of a valid Board meeting. (6 marks)
- (ii) Importance of an annual general meeting (AGM) and matters commonly tabled in such meetings. (3 marks)
- (iii) The procedure they used to alter the articles of association. (2 marks)
- (iv) The procedure for appointment of directors. (3 marks)
- (v) The procedure for appointment of statutory auditors. (3 marks)

(b) List three training areas that you would include in the first board induction for the Board of Bidii Group Ltd. (3 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Jenniffer Kabazi has notified you the death of her husband Josak Kabazi who is a shareholder of Magaja Ltd. where you are the Corporate Secretary. Josak Kabazi has left behind a valid will and appointed Jenniffer Kabazi (wife) as the executor of the will.

Required:

- (i) Define the term "executor". (2 marks)
- (ii) Explain six requirements for a valid will in your country. (6 marks)
- (b) "What have you got in mind?", one of the members of the Institute of Certified Secretaries asked in a meeting. "There should be tougher regulations. People must be made more accountable to their shareholders. No individual should be allowed to treat a public company as though he was handling his own money", replied the chairman.

As an expert in corporate governance, explain how the Board of Directors should conduct its affairs so as to be more accountable to the shareholders. (8 marks)

- (c) Describe four impacts of modern information communication technology (ICT) on corporate secretarial practice today. (4 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) You have been approached by a Board member of Beta Ltd. for advice on the correct procedure for removing the Corporate Secretary.

Advise the Board member. (5 marks)

- (b) You have joined a new company as the Corporate Secretary. During your first meeting with the Board, it became apparent that the Board lacked cohesiveness and independence.

Required:

Explain seven roles of the Chairperson in promotion of Board's cohesiveness. (7 marks)

- (c) Corporate Secretaries are tasked with the responsibility of ensuring that all shareholders of a company receive their dividends in good time.

Required:

Describe eight measures Corporate Secretaries are required to put in place to ensure no outstanding dividend warrants remain unpaid. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) The Common Seal is the official signature of a company. Not all documents must bear the Common Seal but in jurisdictions where the Common Seal is operational, certain documents must be under the Common Seal.

Identify five documents on which Common Seal is mandatory in your country. (5 marks)

- (b) Jacob Ngindomi, your long time friend is not very conversant with how one can be a member of a company except by buying shares.

Advise Jacob Ngindomi on five other ways he can become a member of a company. (10 marks)

- (c) The Corporate Secretary is in many cases involved in developing corporate communication programmes in an organisation.

Explain the importance of corporate communication to an organisation. (5 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Moto Moto Limited, a company that deals in fire control and fire fighting equipment, recently issued shares to finance expansion into the COMESA region. The directors of the company have by resolution approved forfeiture of shares due to non-payment as per the Articles of Association of the Company.

Through another resolution in a Board meeting, the directors approved re-issue of the forfeited shares.

Required:

- (a) Explain four requirements for re-issue of the forfeited shares according to Governance Standard GS 009: Forfeiture of Shares. (4 marks)
- (b) Describe six acts of omission or commission that are considered grounds for professional misconduct as per the Certified Secretaries Act (CPS), Cap 534 and Governance Guideline 001: Guidelines on Professional Ethics and Conduct of Certified Secretaries. (6 marks)
- (c) Analyse six areas of focus while developing a Board work plan. (6 marks)
- (d) Under the Capital Markets Authority rules on Employee Share Ownership Plans, explain two options available to the scheme trustees when an employee surrenders certificate of entitlement upon leaving employment. (4 marks)
- (Total: 20 marks)**

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