

NEW REVISED KASNEB SYLLABUS

COMPANY LAW  
REVISION KIT

[www.masomomsingi.com](http://www.masomomsingi.com)

0728 776 317

2026

MASOMO MSINGI PUBLISHERS

**CPA**

**CS**

**INTERMEDIATE LEVEL**

**COMPANY LAW**  
**TOPICALLY ARRANGED**  
**REVISION KIT**

**Updated With**  
**APRIL 2026**  
**Past Paper with Answers**

**TOPIC**

**PAGE**

**PART B: PAST PAPER EXAMS QUESTIONS**

**Topic 1:** Nature and classification of companies.....10

**Topic 2:** Formation of companies.....15

**Topic 3:** Membership of a company.....21

**Topic 4:** Shares.....26

**Topic 5:** Share capital.....32

**Topic 6:** Debt capital.....37

**Topic 7:** Company meetings.....42

**Topic 8:** Company Directors.....48

**Topic 9:** The company secretary.....53

**Topic 10:** Auditors.....57

**Topic 11:** Company accounts.....61

**Topic 12:** Audit of Company accounts.....64

**Topic 13:** Company Investigation.....67

**Topic 14:** Corporate restructuring.....71

**Topic 15:** Receivership, Administration, Liquidation and Dissolution of companies...76

**Topic 16:** Foreign Companies.....80

**PART B: SUGGESTED ANSWERS**

**Topic 1:** Nature and classification of companies.....85

**Topic 2:** Formation of companies.....109

**Topic 3:** Membership of a company.....133

**Topic 4:** Shares.....150

**Topic 5:** Share capital.....165

**Topic 6:** Debt capital.....185

**Topic 7:** Company meetings.....201

**Topic 8:** Company Directors.....222

**Topic 9:** The company secretary.....240

**Topic 10:** Auditors.....254

**Topic 11:** Company accounts.....268

**Topic 12:** Audit of Company accounts.....279

**Topic 13:** Company Investigation.....288

**Topic 14:** Corporate restructuring.....303

**Topic 15:** Receivership, Administration, Liquidation and Dissolution of companies...320

**Topic 16:** Foreign Companies.....339

## TOPIC 1

### NATURE AND CLASSIFICATION OF COMPANIES

#### QUESTION 1

##### April 2026 Question One A

State FOUR legal consequences of registering a company (4 marks)

#### QUESTION 2

##### December 2025 Question One C

Examine FIVE roles of companies limited by guarantee in promoting non-profit activities in your country. (10 marks)

#### QUESTION 3

##### December 2025 Question Five C

Explain the legal procedure followed when the court is lifting the veil of incorporation of a company. (10 marks)

#### QUESTION 4

##### August 2025 Question One A

Enumerate FOUR limitations of a private limited company. (4 marks)

#### QUESTION 5

##### April 2025 Question One A

Your friend intends to start running a medium sized enterprise as a sole proprietor in his local town. He has come to you for advise on the possible challenges he might encounter as a result of operating his business.

#### Required:

Advise your friend on FOUR possible challenges about the form of business he intends to operate. (4 marks)

#### QUESTION 6

##### December 2024 Question One A and B

(a) Outline FOUR characteristics that define the legal framework within which companies operate in Kenya. (4 marks)

(b) Explain TWO differences between a “holding company” and a “subsidiary company”. (4 marks)

# **PART B**

## **SUGGESTED ANSWERS TO PAST PAPER QUESTIONS**

## TOPIC 1

### NATURE AND CLASSIFICATION OF COMPANIES

#### QUESTION 1

##### April 2026 Question One A

##### Legal consequences of registering a company

- 1. Separate Legal Personality:** Upon registration, a company becomes a distinct legal entity from its owners (shareholders) and those who manage it (directors). This allows the company to enter into contracts, sue, or be sued in its own name.
- 2. Limited Liability:** The liability of members is generally limited to the amount, if any, unpaid on the shares they hold. This protects the personal assets of shareholders from being used to pay the company's debts.
- 3. Perpetual Succession:** A registered company has "immortal" existence; its legal life is not affected by the death, bankruptcy, or withdrawal of its members. It continues to exist until it is formally liquidated or struck off the register.
- 4. Capacity to Own Property:** Because it is a separate legal person, a company can own, hold, and dispose of property (land, equipment, or intellectual property) in its own name rather than in the names of its members.
- 5. Capacity to Contract:** A registered company can enter into legally binding contracts with other parties in order to pursue its objectives.
- 6. Capacity to sue or be sued:** a registered company can sue another party to protect its interest and can also be sued if it fails to fulfill its obligations.
- 7. Common Seal:** A registered company can acquire a common seal that can be used as an official signature of the company.
- 8. Borrowing Power:** A registered company can borrow finances from lenders to finance its operations.
- 9. Management:** Registered companies are usually managed by trained personnel that are able to provide professional services to the company.
- 10. Transfer of Shares:** Shares of a registered company can be transferred from one member to another.

#### QUESTION 2

##### December 2025 Question One C

##### Roles of Companies Limited by Guarantee in Promoting Non-Profit Activities in Kenya

Companies limited by guarantee are commonly used in Kenya for **non-profit and charitable purposes**, as they do not have share capital and profits are reinvested to achieve stated objectives.

**1. Promotion of charitable and social welfare activities**

They support activities such as poverty alleviation, disaster relief, support for vulnerable groups, and community development, helping address social challenges without profit motives.

**2. Advancement of education and research**

Many educational institutions, training centres, professional bodies, and research organizations are registered as companies limited by guarantee to promote learning, skills development, and innovation.

**3. Support for religious, cultural, and environmental causes**

Such companies promote religious activities, preserve cultural heritage, and support environmental conservation initiatives, contributing to moral, cultural, and ecological development.

**4. Provision of legal personality and continuity**

Being incorporated entities, they can own property, enter contracts, sue and be sued in their own name. This enhances accountability, credibility, and continuity of non-profit activities beyond individual members.

**5. Attraction of funding and partnerships**

Their formal structure and non-profit status make them attractive to donors, development partners, government agencies, and international organizations, thereby mobilizing resources for public benefit projects.

**QUESTION 3****December 2025 Question Five C**

The **doctrine of the veil of incorporation** generally protects shareholders, directors, and officers of a company from personal liability for the company's actions. This means the company is treated as a **separate legal entity**, distinct from its owners or managers.

However, in certain circumstances, the Court may "**lift**" or "**pierce**" the **corporate veil** to hold individuals personally liable for the company's actions. This procedure is used to prevent abuse of the corporate structure for unlawful purposes.

The following outlines the **legal procedure** and **grounds** for lifting the veil of incorporation:

**1. Filing a Petition/Application:**

The aggrieved party (creditors, shareholders, or other interested parties) must file a **petition or application** in the Court requesting the lifting of the veil. The petition must demonstrate the **grounds** on which the corporate veil should be lifted (e.g., fraud, oppression, evasion of legal obligations).

**2. Presentation of Evidence**

The applicant must present sufficient **evidence** that the company is being misused or its corporate status is being abused. This might include showing that:

- The company is being used as a **sham**,
- The individuals behind the company are engaging in **fraudulent conduct**, or
- There is an **improper purpose** for the company's existence.

**Witness testimony** and **documents** supporting the claim may be presented to show that the company's legal personality is being misused.

### 3. Examination by the Court

Once the petition is filed and the evidence is presented, the Court will examine whether there are **valid grounds** for lifting the veil. The Court will consider whether the company was acting beyond its legal rights or misusing its separate personality.

The Court may order **discovery of documents**, summon witnesses, or order an **audit** of the company's operations to assist in the investigation.

### 4. Decision of the Court

If the Court is satisfied that the corporate veil should be lifted, it will issue an **order**. The order may involve:

- **Holding individuals personally liable** for the company's actions (e.g., directors or shareholders),
- **Restoring rights** to aggrieved parties (e.g., shareholders or creditors),
- Ordering the **reversal of transactions** made by the company for unlawful purposes.

The Court's order may also include directions for the company to **compensate creditors** or make other reparations.

### 5. Appeal Process

A decision to lift the veil can be appealed. If any party is dissatisfied with the Court's ruling, they may appeal to a **higher court**, where the decision will be reviewed.

## QUESTION 4

### August 2025 Question One A

#### Limitations of a private limited company

1. **Limited Capital Raising Ability:** Private limited companies cannot sell shares to the public, which restricts their ability to raise large amounts of capital compared to public companies.
2. **Restrictions on Share Transfer:** Shares in a private limited company are not freely transferable. Shareholders often need approval from other members before selling their shares, limiting liquidity.
3. **Compliance and Regulatory Burden:** Even though it's private, the company must adhere to legal and regulatory requirements such as filing annual returns,

maintaining statutory records, and undergoing audits, which can be costly and time-consuming.

4. **Limited Growth Potential:** Due to restrictions on the number of shareholders (usually capped at 50, depending on jurisdiction) and fundraising options, private limited companies may face limits in scaling operations compared to larger public companies.

## QUESTION 5

### April 2025 Question One A

#### Possible challenges about the form of business he intends to operate

1. He has to provide all the capital
2. In case of losses he will bear it all alone
3. He will have to work for long hours to increase profits and this in the long run affects his health
4. There is no scope in sharing ideas for the improvement of the business

## QUESTION 6

### December 2024 Question One A and B

#### a) Characteristics that define the legal framework within which companies operate in Kenya

In Kenya, the legal framework governing companies is shaped by various laws, regulations, and institutional structures. Here are four key characteristics that define this framework:

1. **Incorporation and Registration:** Companies must adhere to the Companies Act (2015), which details registration procedures, including documentation requirements and minimum share capital. The Registrar of Companies oversees this process.
2. **Corporate Governance:** There is a strong emphasis on governance standards, outlining the roles of directors and shareholder rights. The Companies Act establishes guidelines for board activities, and listed companies follow additional regulations from the Capital Markets Authority.
3. **Shareholder Rights Protection:** The framework protects shareholders' rights to participate in decisions, access financial information, and seek legal recourse in cases of unfair treatment, particularly for minority shareholders.
4. **Regulatory Oversight:** Multiple regulatory bodies, such as the Registrar of Companies and the Capital Markets Authority, monitor compliance with laws, enforce penalties for violations, and ensure adherence to tax, environmental, and employee rights regulations.

#### b) Difference between Holding Company and Subsidiary Company

A holding company is a corporation or entity that owns a controlling interest in one or more other companies, known as subsidiaries

A subsidiary company is a separate legal entity that is controlled by another company, known as the parent or holding company.

**Difference between Holding Company and Subsidiary Company**

<b>Basis</b>	<b>Holding Company</b>	<b>Subsidiary Company</b>
<b>Ownership</b>	A holding company is an entity that owns a significant portion of the shares or voting rights in other companies. It typically holds controlling interest (usually more than 50%) in its subsidiaries.	A subsidiary company is a separate legal entity that is controlled by another company, known as the parent or holding company. The parent company holds the majority of voting rights or shares in the subsidiary.
<b>Control</b>	A holding company exercises control over its subsidiaries through ownership of their voting stock or through contractual agreements.	Subsidiaries operate autonomously to some extent but are ultimately subject to the control and influence of the parent company.
<b>Management</b>	It may provide strategic direction and governance oversight but typically does not involve itself in the day-to-day management of its subsidiaries.	They have their own management teams and operational structures, but major decisions may require approval from the parent company.
<b>Business Operations</b>	Holding Companies do not engage in the operational activities of their subsidiaries. Instead, they primarily focus on holding and managing investments in other businesses.	Subsidiaries are independent legal entities that engage in operational activities within their respective industries. They may have their own products, services, customers, and revenue streams.
<b>Financial Reports</b>	Holding Companies typically consolidate the financial statements of their subsidiaries into their own financial reports. This consolidation provides a comprehensive view of the overall group's financial performance.	Subsidiary Companies maintain their own financial records and produce separate financial statements. However, these financial statements may be consolidated into the financial reports of the parent company.
<b>Liability</b>	Holding Companies are generally not liable for the debts and obligations of their subsidiaries. Each subsidiary maintains its own legal and financial independence.	Subsidiaries have limited liability, meaning their obligations are generally separate from those of the parent company.