

COLLEGE OF LAW
BOWEN UNIVERSITY, IWO, OSUN STATE
FIRST SEMESTER EXAMINATION, 2023/2024 SESSION
COURSE CODE: PCL 503
COURSE TITLE: LAW OF BUSINESS ASSOCIATIONS I

INSTRUCTIONS
ATTEMPT ANY FOUR QUESTIONS

EACH QUESTION CARRIES 17 ½ MARKS

TIME ALLOWED: 3 HOURS

1. Confidence Limited has five shareholders. Cosmas, the majority shareholder, holds 30 million out of the company's issued 32 million ordinary shares of one Naira each. Each of Cosmas' four children holds 500,000 shares in the company. The company is a mobile telecommunication service provider, and had traded profitably for the first one decade of its incorporation. However, over the past five years, Confidence Limited accumulated a huge amount of debts in addition to the debts it owes its secured creditors. The board of directors of the company plans to wind up the company, but in that event, the assets of the company will be insufficient to satisfy the claims of the creditors. A group of the creditors intends to argue in court that Cosmas, the majority shareholder of Confidence Limited, should be ordered by the court to pay them in full for some reasons, including the state of shareholding in Confidence Limited, which, according to the group, shows that Cosmas owns the company.
Cosmas has approached you for legal advice on the likelihood of success of the creditors' argument in court.
Advise Cosmas on his best defence and the grounds, if any, on which the creditors could succeed against Cosmas with the aid of statutory provisions and decided cases.

2. Young and Upward Mobile Group of Entrepreneurs (YUMGE) intends to hold a business forum to equip young entrepreneurs in preparing proposals for corporate financing by the Bank of Industry (BOI). The group is particularly interested in the advantages and disadvantages of incorporating a company as well as the choice of any other form of business organization that offers substantially similar advantages at a lesser cost.
Advise YUMGE with the aid of relevant provisions of the Companies and Allied Matters Act, 2020 and decided cases.

3. Gold has come to your law office to seek your advice on the debts that he believes Compania Limited owes her. Her narrative is that in December 2022, Okonkwo, who is a shareholder and director of Compania Limited, bought from her a warehouse on behalf of the then proposed company at the price of N500 million and made a part payment of N300 million, promising that Compania Limited would pay the balance of the purchase price within six months of its incorporation. For Okonkwo's patronage Gold paid a sum of N50 million as discount into Okonkwo's personal account at the latter's directive. The Corporate Affairs Commission registered Compania as a private limited

company in May 2023, but the company has failed to pay Gold the balance of the warehouse purchase price despite Gold's repeated demands for the payment served on Compania Limited and Okonkwo respectively.

With the aid of statutory provisions and decided cases, advise Gold and Compania Limited on the legal implication of the transactions Gold had with Okonkwo and the remedies available.

4. In explaining corporate relationships, scholars have developed a number of theories, all of which speak to the nature and character of a company. Axiomatically, none of the theories has explained exhaustively and exclusively the nature and purpose of corporate relationship.

In the light of the above, explain critically five theories of corporate relationship.

5. The Companies and Allied Matters Act, 2020 has provisions that seek to ensure that the doctrine of *ultra vires* is neither "an illusory protection for the shareholders" nor "a pitfall for third parties dealing with the company."

Evaluate the preceding opinion in its historical context with the aid of judicial decisions and the relevant provisions of the Act.

6. Bonfere is the Company Secretary of Joe PLC. The articles of association of the company provides that whenever the company makes a profit after tax in excess of N500,000,000 (five hundred million Naira), every party to the articles shall be entitled not only to dividends but a bonus earning of 10% of annual gross remuneration, whichever is applicable.

Joe PLC declared a profit-after-tax of N505,000,000 (five hundred and five million Naira) and dividends of N100 per share. Bonfere has written to the board of directors of Joe PLC, claiming 10% of his annual gross remuneration as his bonus entitlement, but the board of directors has refused to honour the claim at the advice the Chief Financial Officer (CFO) that the entitlement was not stated in Bonfere's letter of employment and the terms thereof.

The board of Joe Limited proposes to amend the company's articles of association and desires legal advice on the procedure and implication.

With the aid of statutory provisions and judicial authorities, advise Bonfere and the board of Joe Limited on the issues in the preceding facts.