



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91, Cadastral Zone, NnamdiAzikiwe Express Way, Jabi – Abuja**  
**FACULTY OF LAW**  
**DEPARTMENT OF COMMERCIAL LAW**

**COURSE CODE: CLL 533**

**COURSE TITLE: COMPANY LAW AND BUSINESS ASSOCIATION 1**

**CREDIT UNIT: 4**

**TIME ALLOWED: 2 ½ HOURS**

**INSTRUCTIONS: ANSWER FOUR QUESTIONS. Question one carries 25 marks, other questions carry 15 marks each.**

1. Briefly discuss the historical development of Company Law in particular:
  - a) The Bubble Act 1719 and the event leading to the repeal of the Bubble Act in 1825
  - b) The statutory development of Company Law legislation in Nigeria
  - c) Okonkwo is a successful sole proprietor offering computer, stationeries and computer accessories business and consultancy services to a number of local companies. He intends to expand his business but he is undecided whether to work with Zack his friend who is also an interior decorator or just to make it a family business with his wife and children. His first son, James is a 17 years old undergraduate and Mary his daughter is 12years old. He seeks your advice on which business structure would be most suitable, bearing in mind the following instructions:
    - To formally involve his family members in the business and be able to seek financial facilities from financial institutions.
    - Whether to establish the business with his friend, but he wants flexibility in establishing the procedures by which the business is to be run and be able to run their affairs in private.

- He also wishes to avoid personal liability for the debts and liabilities of either type of business and would not want to invest significant amount of his capital in setting up the business and may wish to take on employees.

Advice him on the advantages and disadvantages of the types of business of structure that would be most suitable.

2. a) Critically examine the capacity of individuals to form company in Nigeria.
- b) Adamu has been in the importation of fruit drinks for the past ten years. He carried on business through his company Adamsco Ltd. As a result of the issue of increase of import duties on imported fruit drinks, Adamu decided to start a new business of importation of mobile phones. He gives instructions to Martins, his personal solicitor and solicitor to Adamsco Ltd to set up the new company. Martins registered the new Company, Adamstics Phones Ltd. Martins also uses his professional expertise to get a prime office location at a reasonable price, secured a bank loan, an experienced managing director for the company and suitable foreign business partners. Adamu's first son, Joe, has just been called to the Nigerian Bar company law case c, and Adamu wants him to assume duty as the Solicitor to Adamsco Ltd replacing Martins. Martins is unhappy with this arrangement and insist Adamu should pay him off including payment for transaction in relation to Adamstics Phones Ltd. Adamu has refused to pay. Martins instituted an action against Adamstics for unpaid fees.  
Is Martins a trustee to Adamstic Phones Ltd? Discuss the legal issues and advice Martins on how he can remedy the situation.

3. Afam and Adamu are two of the 20 members of f Glorious Ltd. Ade is both a member and a director of the company. The Articles of Glorious Ltd. include the following:
  - a. Adamu shall be employed as the company solicitor.
  - b. If any member wishes to transfer his/her shares, he or she must first inform the existing members, who may acquire the shares at a fair price.
  - c. On any resolution to remove Ade as a director of the company, he shall be entitled to 50 votes per share.

- d. All disputes between the company and its shareholders shall be referred to arbitration.

The following events have occurred:

- a) The company is unhappy with Adamu's inefficiency and has decided to remove him from his position as company solicitor. The company intends to replace Adamu with Akpan who has 15 years experience working as a company solicitor with Important Ltd.

Advise Adamu whether or not he can prevent his removal by the company.

- b) Afam wishes to sell his shares to someone who is not currently a member of the company.

Advise Afam whether the members of the company can prevent him from doing so.

- c) Ade has been told by the company's chairman, Alex that he is to be removed as a director, and that the company 'has no intention whatsoever of respecting his right to 50 votes per share'.

Advise Ade whether he can enforce this provision in the articles.

- d) Alex has decided to amend the articles to include 5 votes per share in event of a resolution to remove a director of Glorious Ltd. Alex is to present the amended copy of the Articles at the next General meeting. Advice.

4. What is meant by registration of a company under Companies and Allied Matter Act 2004 (as amended 2018) and what are the effect of registration of a company?.
5. At common law, where a company entered into a transaction that was outside the scope of the object clause in its memorandum of association, the act was unratifiable. Explain this assertion in light of the legal consequences where a company enters into a transaction that infringes a limitation on its capacity set out in its memorandum of Association under the current Nigerian situation.
6. With the aid of legal authorities, discuss the circumstances under which the court will lift the veil of incorporation of a company.