

**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**PLOT 91, CADASTRAL ZONE, NNAMDI AZIKWE EXPRESS WAY, JABI – ABUJA**  
**FACULTY OF LAW**  
**JANUARY 2018 EXAMINATION**

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**COURSE CODE: CLL 534**

**COURSE TITLE: COMPANY LAW II**

**CREDIT UNIT: 4**

**TIME ALLOWED: 2 ½ hrs**

**INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS.**

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1. James and John are childhood friends. After three years of graduating from the university and unable to secure a job, they decided to set up a business for the importation of fruit juice. The business has gone on for two years where James who recently got married, decided to relocate with his new bride to New Zealand. James approached John about collecting his interest in the business and paying off the loan they collected from the bank to start the business. Advise the parties on the ways in which their business can be dissolved.
2. The first Annual General Meeting of Benson Limited, the notice of the meeting was circulated amongst all stakeholders, including the 50 including the 50 members of the company. The meeting was to commence by 9am. By 10am 14 members of the company were present. The other members present decided to allow the Cynthia, company secretary to preside over and commence the meeting as they were tired of waiting for others to arrive. At the meeting, Sandra nominated Chief Lambe to be the new financial secretary. This didn't go down well with the Benson brothers – Dele and Dotun who are also sons of the Otunba Benson chairman of the board of directors of Benson Ltd, thus making them walk out of the meeting. Cynthia decided to adjourn the meeting till a later date when Otunba Benson will be available to attend the meeting. With the aid of legal authorities discuss the legal issues.
3. The "The rule in the proper plaintiff principle is of continuing importance in modern company law."  
Discuss this statement, explaining the content of the rule, and the distinction between a derivative action and a personal action.
4. Kanayo, Chuka and Nkem are directors of Winner Ltd. Kanayo is the company's marketing director. However, his marketing strategy for the company seems to have been very poorly devised, as the company has recently suffered a sharp fall in sales and in profits. He has also recently failed to attend a number of board meetings. Chuka recently negotiated a number of contracts on behalf of the company. Although these contracts were not the best deals the company could get, Chuka opted for them as they earned him a higher rate of commission. Chuka was also given a valuable gold watch by Badmos when Chuka awarded a lucrative contract with Winner Ltd to Badmos's company. Chuka did not mention to Winner Ltd the gift of the watch. Nkem runs her own business, which is in direct competition with Winner Ltd. She has recently diverted to her own business

several contracts that could have gone to Winner Ltd. She has never mentioned the existence of her business to the directors of Winner Ltd.

Consider:

- a) Whether Kanayo, Chuka and Nkem may be in breach of their legal duties towards Winner Ltd and the remedies available to the company.
  - b) How the directors of Winner Ltd might be relieved from liability for breaching their duties towards the company.
5. Ahmadu and Abubakar have been friends from primary school and both studied accounting. They have decided to establish an accounting firm. They propose to site the office at Ahmadu's mother's house in Kano State. As consideration for using Ahmadu's mother's house, they wish to appoint her as Office Manager. Profit from the partnership will be shared on equal basis after 20% is taken out to be ploughed back into the business. It is expected that the partnership firm will remain in operation as long as both parties agree and they do not wish to admit any other parties as partners whilst they are in business. They have come to you to prepare their partnership agreement. State 6 items/clauses that you will include in the agreement and why it will be important to include them.
6. The Articles of Association of Sunset Ltd, which was incorporated in March 2013, provided that the directors may at any time in their absolute and uncontrolled discretion, refuse to register any transfer of shares. The issued shares consisted of 800,000 ordinary shares of which two directors of the company; Emeka and Ugo held 300,000 each while Uche held 200,000 shares. Emeka dies and his son Nnadi applied as his executor to the testator's shares registered in his name. Ugo refused to consent to the registration but offered to register 150,000 and buy 100,000 at a fixed price. Uche did not see the justice in Ugo's decision and decided to call a meeting to resolve the issue. It was decided that it would be among the ordinary business for the first annual general meeting of the company to hold in two weeks. The secretary convened the meeting. With the aid of legal authorities discuss the legal issues.