



NATIONAL OPEN UNIVERSITY OF NIGERIA
14-16 AHMADU BELLO WAY, VICTORIA ISLAND LAGOS
SCHOOL OF LAW
MARCH/APRIL 2015 EXAMINATION

COURSE CODE: LAW533

COURSE TITLE: COMPANY LAW I

TIME ALLOWED: 3 Hours

INSTRUCTION: Answer Question 1 and any three other questions

1. Romeo married the love of his life, Juliet in 1995. Subsequently, they had 3 children – Tybalt in 1999, Craeto in 2003 and Mavin in 2009. Tybalt suffered an accident at birth as a result of which he is paralysed on the left hand side of his body. He is also rumoured to have fits of insanity. Soon after giving birth to Mavin, Juliet took ill and Romeo spent all his savings on her treatment. He also fell into debt and was publicly disgraced and rough handled by various creditors because he could not pay back. On one occasion, his Landlord had him arrested and he spent 2 nights in the police station because of his inability to pay his rent. Juliet died in 2012 to Romeo’s utmost pain and he as refused to remarry. He wishes to set up a company to be named Juliet Memorial National Toy World Ltd. with his entire family as shareholders and directors. Because of the love he has for his late wife, Juliet, he wishes to also add her name as shareholder/director. The main object of the company is to be sale of children’s toys but he tendered for and won a juicy contract for sewage disposal in the name of the proposed company and he has gone ahead and paid the acceptance fee of 2 Million Naira with the hope of being reimbursed from the company’s account. Discuss the legal issues.
2. With the aid of relevant authorities categorize the following businesses and state other characteristics each business is likely to have.
 - i. NAIJA Oil Company of Nigeria was established under Section 1 of the Free Oil Zone Act

- ii. Precious Seeds Foundation which was established for charitable purposes and has the liability of each member limited to the amount they undertake to contribute to the assets of the Foundation in the event that it is wound up.
 - iii. MoDella Stitches established by Mo and Della with liability is restricted to the amount unpaid on their units of ownership and based on the understanding that membership of the company must not exceed 10 persons.
 - iv. Jackson Broadcasting with 3 members - Jackson Abigo, his wife and his mother. Each of these persons is personally responsible for the debts of the company.
 - v. Credo Bank with share capital of N200,000,000.00 with the aim of securing investment from all and sundry.
3. 'The English Joint stock Companies Act gave joint stock companies their *toga virilis* as commercial citizens within the law and opened the gateway to the modern form of corporate enterprise' Discuss the major features and innovations of this Act. and subsequent developments after the Act.
4. XYZ Ltd. wanted to sell its soap making plant valued at N250,000,000.00 and advertised for bids with bidders required to pay a non-refundable bidding fee of N20,000,000.00. It received bids from over 50 companies which all paid their bidding fees. The plant was eventually sold to one ABC Ltd. The other bidders being dissatisfied with the bidding process carried out investigations and discovered that the shareholders of ABC Ltd. were the XYZ Ltd with 98% shareholding and the Managing Director of XYZ Ltd. with 2% shareholding and that ABC Ltd. was formed with the object of organizing tours and selling of unique artefacts. It was also discovered that the memorandum and articles of the company contained contradictory rules on purchases from other companies. Whilst the articles of association placed a limit of N50,000,000.00 on the value of any item to be purchased from another company, the memorandum of association did not place any limit. The other bidders want to challenge the sale to ABC Ltd.
- a. Advise on their chances of success
 - b. Assuming that the incorporation of ABC Ltd. was yet to be concluded at the point at which the sale of XYZ Ltd's plant was concluded, what steps must the company take for the sale to be binding on it.

5. The ultra vires doctrine has become a burden on the company, and trap to creditors and investors. With reference to relevant authorities, discuss the origin of this doctrine and how it is applied in Nigeria.
6. Adanma wishes to register her make up business – Adanma Makeovers which she runs on her own at home. Discuss the characteristics of the form of business organization that she wishes to register and the legal requirements for registration of same under the Companies and Allied Matters Act.