



STRATHMORE LAW SCHOOL
MASTERS OF LAW (LL.M.)
SUPPLEMENTARY EXAMINATION
LLM 8313: INTERNATIONAL CORPORATE FINANCE LAW

Date: **Tuesday, 12th May 2026**

Time: **3 Hours**

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions
3. This is a closed-book examination.
4. The exam mode for this exam is **CLOSED**.
5. You should spend a fair amount of time organizing your thoughts before starting to write.
6. Careful organization and clarity will be highly valued.
7. Please start each question on a new page.

QUESTION ONE (COMPULSORY)

30 Marks

Motions Limited is a media company that was incorporated under Kenyan law in 2005. Its articles specify that the ordinary share have a par value of Kes 10 per share. At the beginning of Year 1 of its existence the board approves the issuance of ordinary shares at Kes 20 per share. It issues shares as follows:

	No. Of Shares	Consideration
Maneno Musa	100,000	Kes 600,000
Damaris Drama	80,000	Kes 800,000
Sosho Midia	20,000	Kes 100,000

1. With reasons based on law, classify Motions Limited, indicating its unique features and their legal implications.
2. With reasons based on law, describe Motion Limited's capital structure at the beginning of Year 1.
3. After Year 5 the business is insolvent and heavily indebted to Bargain Bank and five other creditors. Advise these creditors on whether they will succeed in a legal action to recover what is owed to them by Motions Limited.
4. The articles of Motions Limited are amended to authorize the company to issue 500,000 new shares. What legal issues arise from this, if any?
5. The board of Motions Limited wants to authorize the company to buy back 200,000 shares. Under what conditions would you advise the board to proceed with this course of action?

END OF QUESTION ONE

QUESTION TWO STARTS ON THE NEXT PAGE

QUESTION TWO

15 Marks

Sparrow Hotel Limited was incorporated in Kenya in 2015 and is based in the pristine Nanyuki Town. On the year of its incorporation, it needed 100 million shillings to operate in the competitive Nanyuki hospitality sector. It raised 40 million shillings from equity and the balance from a local lender, Bora Bank, which it secured using various company assets. In the ten years following, the hospitality industry was stressed by two main factors: shut down of international airports and domestic travel restrictions during the Covid pandemic years; and disruption by rival technology powered short term rental businesses, popularly known as AirB&B. Sparrow Hotel is finally emerging from years of reporting losses. It finally made a profit this year.

Provide well reasoned and legally sound advice to Sparrow Hotel on the following questions touching on what it should do with the profit:

1. Whether to declare dividends and steps it should take if it decides to do so.
2. Whether to buyback its shares and considerations it should make before doing so.
3. Whether to carry out asset modernization to keep up with the stiff competition it faces.
4. Whether to raise additional finance for expansion, and the financing options it should consider in the circumstances.

END OF QUESTION TWO

QUESTION THREE STARTS ON THE NEXT PAGE

QUESTION THREE

30 Marks

CarPro Limited sells cars on credit. Its customers typically do not have collateral as they are young and unemployed individuals starting out in life. As of January this year, CarPro had 2000 customers and 20 million shillings worth of unpaid car loans. Of these, 500 customers were up to date with their payments, 400 were rated medium risk for missing due dates regularly and 600 were rated very high risk with several months missed payments.

CarPro's business model is to borrow from Fair Trade Bank at a 5% interest rate then provide purchase financing to its car buying customers at 20% interest rate. For medium risk customers who miss their due dates even once but still pay, the interest rate goes up to 30%. For those who fall behind in payments and are not up to date with their payments, the interest rate climbs to 40%.

CarPro has sought your advice on the options it has in the securities market for leveraging and fully exploiting its business model. **Prepare a plan clearly outlining the path or paths available to CarPro.**

END OF QUESTION THREE

QUESTION FOUR STARTS ON THE NEXT PAGE

QUESTION FOUR

15 Marks

Melody Sky is a construction company incorporated in Kenya and has recently opened offices in Rwanda, South Africa and the Emirates. It specializes in residential high end living for the urbane elite of these countries. Marble owns 100,000 shares of Melody Sky, representing 1% stake in the company. Waridi has a 5% stake, while Almasi has a 10% stake.

Marble, Waridi and Almasi want to exit membership of Melody Sky to pursue other investment opportunities.

1. Enumerate the financial considerations and the legal process they and the company should follow if Melody Sky is a private company limited by shares. **(10 Marks)**
2. Enumerate any different financial considerations and legal process they and the company would follow if Melody Sky was a public company limited by shares. **(5 Marks)**

END OF QUESTION FOUR

QUESTION FIVE STARTS ON THE NEXT PAGE

QUESTION FIVE

15 Marks

“Most business transactions involve money changing hands, but corporate finance is all about money. A company needs money to run or grow its business, including by buying other businesses. Banks and investors have money to lend or invest. Corporate finance is the business of getting money from those who have it to lend or invest to companies that can put the money to work.”

Carolyn Paris, Drafting for Corporate Finance: Concepts, Deals and Documents, 2nd Edition, Practising Law Institute, New York City, 2014.

Enumerate the most important ways international corporate finance law enables the mission of corporate finance as described above.

END OF QUESTION FIVE

END OF EXAMINATION