

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II – Semester VII)

Examination 2018

ACT 2205 – Corporate Law

Two (02) Hours

Answer any FOUR Questions

1. “In my opinion a debenture means a document which either creates a debt or acknowledges it, and any document which fulfils either of these conditions is a “debenture”. I cannot find any precise legal definition of the term, it is not either in law or commerce a strictly technical term, or what is called a term of art.”

Per Chitty J, *Levy v Abercorris Slate and Slab Co* (1887) 37 Ch D 360

In light of the above statement, discuss the applicability of debentures in a company environment.

(Total 25 marks)

2. Saman, Hashan and Menaka run a business buying and selling antiques as a partnership. They are considering forming a private company to run the business, and have sought your advice. They are particularly concerned to know:

- i. The extent to which their liability for the debts of the business will be limited

(07 Marks)

- ii. Whether they will exercise the same control over the membership as with a partnership

(10 Marks)

- iii. The extent to which they will have the same right to be involved in the management of the company

(08 Marks)

Advise them on these matters, and on which would be the best choice of business vehicle for them.

(Total 25 marks)

3. Ruwan invested in a new Hotel that was incorporated as a public company in collaboration with an international hotel chain. At one of the meetings he discovered that as a result of a fraud committed by the construction company the hotel is unable to make any profits for the next five years. When he questioned about this he learnt that there are many issues in the company management and the directors are trying to hide these issues to cover up for the majority shareholders. Since Ruwan is asking too many questions the company stops sending him notice about the company meetings.

Ruwan seeks your advice about actions he can take against the Company and the remedies available to him under Companies Act No. 07 of 2007.

(Total 25 marks)

4. 'Any idiot, any person even a thief can be a director of a company in Sri Lanka'.
Discuss whether this statement is accurate. Elaborate the reasons for your answer.

(Total 25 marks)

5. Explain the difference between the following pairs of terms
- i. Ordinary shares and Preferential Shares
 - ii. Limited Company and Guarantee Company
 - iii. Executive Directors and Independent Directors
 - iv. Ordinary Resolution and Special Resolution
 - v. Director and Shareholder

(05 Marks each)

(Total 25 marks)
