

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF LAW

BACHELOR OF LAWS HONOURS 1<sup>st</sup> SEMESTER END EXAMINATION, YEAR III - 2025

LAW31303 -COMPANY LAW

(2 ¼ Hours)

Total Number of Questions: 04

Answer any **two (02)** questions and no more.

(Candidates will be penalised for illegible handwriting.)

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01. You have recently been appointed as a Research Assistant to the Secretary General of the Department of Registration of Businesses in the State of FINE-LAND. The Secretary-General is currently undertaking an initiative aimed at promoting partnerships among professional service providers, particularly auditors, lawyers and accounting consultants. As part of this initiative, you have been requested to write a news article titled "*The Legal Requirements of a Partnership Business in the State of FINE-LAND*". This article is intended to be informative and legally precise, serving to encourage professionals to consider forming partnerships.

Assume that the legal system in FINE-LAND is identical to that of Sri Lanka, with the English common law system governing commercial activity. Your article should provide a comprehensive analysis of the legal framework governing partnerships in FINE-LAND.

Discuss the legal framework governing partnerships, with particular reference to the process and requirements for their formation and the criteria used to determine the existence of a partnership in law. Your answer should examine the extent to which a partnership possesses legal personality and the legal capacity required for individuals to enter into a partnership. Evaluate the implications of forming a partnership at will and analyze the principle of mutual agency, particularly how it affects the authority of partners and the liability of the firm. Your discussion should also address the doctrine of holding out in relation to partnerships and its relevance in determining liability, as well as the various legal grounds and mechanisms through which a partnership may be dissolved.

Your article should be written in a professional and structured manner, citing relevant statutory provisions and case law.

(30 marks)

02. Answer **both parts (A) and (B)**

**Part (A)**

Austin, Niloni and Sanjay have been unanimously appointed as the Board of Directors of Priston Marketing PLC (the company), a company incorporated under the Companies Act No. 07 of 2007.



According to the company's Articles of Association, its main business is manufacturing and sale of glass containers in both local and international markets. The company has total assets worth Rs. 3,000 million. In September 2025, the board decided to undertake a furnace repair project, estimated to cost of Rs. 1,950 million. However, the directors did not adhere to the legal procedures mandated for such significant transactions under the Act. Concurrently, Austin approved a tender for labour supply services from Superstar Manpower (Pvt) Ltd, without disclosing to the board that his wife, Manori, is the Chief Executive Officer of Superstar Manpower. In addition, Sanjay, the Finance Director, informed the board that the company has been experiencing financial under-performance since 2024, however, the board failed to take any appropriate action to address or report the situation in a timely manner.

Discuss the legal issues that arise from the above scenario under the relevant principles of company law, statutory provisions, and case law.

(20 marks)

**Part (B)**

"The landmark case of *Salomon v A. Salomon & Co. Ltd* [1897] AC 22 established the fundamental principle that a company is a distinct legal entity separate from its shareholders. This principle introduced the concept of the corporate veil, which generally protects shareholders from personal liability for the company's debts and obligations."

Do you agree with the statement that the veil of incorporation is a steady and absolute concept that cannot be lifted or pierced? Critically evaluate the above statement, citing relevant statutory provisions and subsequent judicial developments.

(10 marks)

03. Evaluate the relationship between Corporate Governance and Corporate Social Responsibility. To what extent can effective corporate governance frameworks promote genuine corporate social responsibility in modern companies? In your answer, examine the adequacy of the existing legal and regulatory framework in Sri Lanka, including the Companies Act No. 7 of 2007.

(30 marks)

04. Ravi is a minority shareholder in ABC Holdings (Pvt) Ltd., a Sri Lankan company. Recently, the majority shareholders, who control the board of directors, approved the sale of a significant company-owned commercial property to a related entity owned by one of the directors, at a price well below market value. Ravi was not aware about this transaction and was denied access to the relevant board meeting minutes when he requested them. He believes that the transaction was inappropriate and carried out to serve the director's personal interests. Furthermore, Ravi has noticed that the company is reluctant to convene meetings to discuss critical matters. Instead, it

frequently chooses to pass resolutions in lieu of meetings, which excludes minority shareholders from meaningful participation in corporate decision-making.

With reference to the Companies Act No.7 of 2007 and relevant case law, analyze the types of legal remedies available to Ravi, providing justifications for your answer in the above situation.

**(30 marks)**