

UNIVERSITY OF COLOMBO - SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II – Semester VII) Examination - 2017

ACT 2205 – Corporate Law

Two (02) Hours Only

You are required to answer five (05) questions.

1. Adam and Eve decide to start a pre-school solely with the purpose of helping children and ensuring that they obtain a good quality pre-school education with the new techniques. As they expect it to grow into a school, they want to formalise the process and incorporate it under the Companies Act No. 07 of 2007.

Advise Adam and Eve on the following matters:

- i. What is the best business structure suited for their purpose and the reasons for selecting that particular structure? (08 marks)
 - ii. What are the advantages and disadvantages of incorporating a company? (08 marks)
 - iii. Name the documents needed for incorporating a company you have selected for Question (04 marks)
- (Total 20 marks)**

2. Explain the difference between the following pairs of terms

- i. Shares and Debentures
- ii. Limited company and Guarantee company
- iii. Executive Directors and Independent Directors
- iv. Ordinary resolution and Special resolution

(05 marks each)

(Total 20 marks)

3. "Companies are treated as legal persons. Companies also enter into the contracts. Sometimes they success, sometimes they fail. If a company is unable to pay its debt it is not treasonable to let such companies to trade.in such situations court will take steps to wind –up such companies. "

i. What do you understand by the term winding-up? (10 marks)

ii. Mention the grounds for court winding-up. (06 marks)

iii. Discuss the reasons for company collapse. (04 marks)

(Total 20 marks)

4. i. Explain "Majority Rule "in relation to Company Law

(10 marks)

ii. Thiru 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 Thiru is asking too many questions the company stops sending him notice about the company meetings.Thiru seeks your advice about actions he can take against the Company. Discuss the remedies available to Thiru under Companies Act No. 07 of 2007.

(10 marks)

(Total 20 marks)

5. Discuss the role of a company auditor, paying particular attention to duties of an auditor.

(Total 20 marks)

6. Menika is a Secretary of Tiger & Co Ltd. She orders five Benz cars from Super Auto Co Ltd., stating that the rent would be paid by Tiger & Co Ltd. None of the directors of Tiger & Co Ltd. is aware about this. Super Auto sends a letter of demand mentioning that Tiger & Co Ltd. has to pay them Rs. 750,000 as car rental fee for five Benz Cars ordered by their Company Secretary. Tiger & Co Ltd. rejects the demand.

i. Discuss whether Tiger & Co Ltd. is liable to pay for the cars rented by Menika?

(10 marks)

ii. Explain five statutory duties of a director.

(10 marks)

(Total 20 marks)

7. Write notes on any **FOUR (04)** of the followings.

(i) Reduction of stated capital

(i) Solvency Test

(ii) Object clause

(iii) Duties of Directors on serious loss of capital

(iv) Major transactions

(v) Single shareholder companies

(05 marks each)

(Total 20 marks)