

UNIVERSITY OF COLOMBO, SRI LANKA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Level II - Semester VII) Examination 2016

ACT 2205 – Corporate Law

Two (02) Hours

Answer FIVE Questions Only.

Question 01

- (i) “The concept of incorporating a company was first introduced in England in the year 1844. It was assumed that a typical registered company would have a large membership of investors. Although the UK Companies Act of 1856 set the minimum number of registered company at seven, within twenty years or so it was realized that it was unnecessary for a company to have a large membership. The practice then grew, of incorporating private companies.”
- (a) Explain what a Private Limited Company is. **(04 marks)**
- (b) List out the required documents to incorporate a private limited company. **(04 marks)**
- (ii) Explain the concepts of legal personality with reference to case laws in relation to limited liability companies. **(12 marks)**
- (Total 20 marks)**

Question 02

Explain the difference between the following pairs of terms

- I. Shares and Debentures
- II. Limited Company and Guarantee Company
- III. Company Contracts and Pre- incorporation Contracts
- IV. Ordinary Resolution and Special Resolution

(05 marks each)
(Total 20 marks)

Question 03

“Winding-up is a terminal form of the administration of the affairs of a company. However it is not the death of a company. It is a process whereby the assets of the company are collected and realized.”

- (i) Mention the grounds for court winding-up. **(09 marks)**
- (ii) Explain whether directors are entitled to claim their wages as preferential creditors in the event of winding-up.

(11marks)

(Total 20 marks)

Question 04

Thomas is an employee of Public Sector Department. According to his appointment letter he cannot hold any other office (including directorship) without his employer's permission. Thomas wanted to establish a media company. He formed the company “ABC Network Ltd.” but never became a shareholder. Thomas's close friends, Ash, Berty and Charly were shareholders of the ABC Network Ltd. Berty and Charly were appointed as directors. However board of directors was given advices and instructions by Thomas and as a practice directors followed Thomas's advices. In addition, Thomas used visiting cards stating that he was the Chairman of ABC Network Ltd. He also had entered into several contracts on behalf of the company. Thomas's employer was informed that Thomas was a businessman and chairman of the ABC Network Ltd.

- (i) Explain with reference to the Company Law whether Thomas is a director of the ABC Network Ltd. **(10 marks)**
- (ii) Mention five (05) duties of directors. **(10 marks)**

(Total 20 marks)

Question 05

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

(20 marks)

(Total 20 marks)

Question 06

Ann's Chocolate Limited has been formed to import and export chocolates into Sri Lanka. Unfortunately Ann's chocolates were not popular in the country and business was not successful as they expected. In May 2015, the board decided to stop chocolate business and commenced shoe business. The company entered into few contracts with an Italian Company to import shoes and other materials to Sri Lanka. Assume you are an investor of this company and are against the shoe business.

- (i) Explain the validity of the contracts entered into by Ann's chocolate limited to import shoes and other materials into Sri Lanka. **(06 marks)**

- (ii) What are the remedies available to you against the company and against the board? **(06 marks)**

- (iii) Assume that the company has passed a special resolution to change its business and you have voted against it.

Explain remedies available for you under the Companies Act No.07 of 2007. **(08 marks)**

(Total 20 marks)

Question 07

Write notes on any four (04) of the followings.

- (i) Reduction of stated capital
- (ii) Solvency test
- (iii) Derivative actions
- (iv) Duties of directors on insolvency
- (v) Major transactions

(05 marks each)

(Total 20 marks)