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SCHOOL OF ACCOUNTING AND BUSINESS
BSc. (APPLIED ACCOUNTING) GENERAL / SPECIAL DEGREE
PROGRAMME

END SEMESTER EXAMINATION – JULY 2015

LAW 20225 Corporate Law

Date : 19th July 2015
Time : 02.00 p.m. - 04.30 p.m.
Duration : Two and half (02 ½) hours

Instructions to Candidates:

- Answer **FIVE** questions only.
- This paper consists of two sections (A and B)
 - Part A: Answer any **ONE (1)** of the given questions
 - Part B: Answer any **FOUR (4)** of the given questions
- The marks for each question are shown in brackets.
- Answers should be written neatly and legibly.

PART A

Answer any **ONE (1)** of the questions

Question No. 01

“The court will use its power to pierce the Corporate Veil if it is necessary to achieve justice irrespective of the legal efficacy of the corporate structure.” *In Re a Company* (1985)

Analytically discuss the above statement.

(20 Marks)

Question No. 02

“The dicta in *Salomon v Salomon & Co Ltd* [1987] on the point ‘Separation of the Corporate Personality’ from its members became firmly embedded as a principle of the English Company Law.” Discuss.

(20 Marks)

Question No. 03

Discuss the main recommendations made by Cadbury, Greenbury and Hampel Committees to improve the concept of good corporate governance in United Kingdom.

How these recommendations influenced the Securities and Exchange Commission of Sri Lanka to bring out the Code of Best Practices on Corporate Governance 2013?

(20 Marks)

Question No. 04

“The elements disclosed in Concession or Fiction Theory, Corporate Realism Theory and Aggregate Theory assist one to understand the behavior of corporate entities.”

Critically examine the above statement

(20 Marks)

PART B

Answer any **FOUR (4)** of the questions

Question No. 01

What do you understand by the term ‘pre-incorporation contracts’? What are the provisions that make a pre-incorporation contract bind a company as if the company was a party to that contract?

(20 Marks)

Question No. 02

How does the doctrine of ‘*ultra vires*’ apply to a Company where at present the inclusion of an ‘object clause’ into the Articles of Association is made optional under the Companies Act No. 07 of 2007?

(20 Marks)

Question No. 03

Write short notes on two of the followings

- a. Rule in *Foss v Harbottle*
- b. Duties and functions of an Administrator
- c. Derivative Actions

(20 Marks)

Question No. 04

Company ‘A’ is a fully owned subsidiary Company of ‘B’. The Board of Directors of Companies ‘A’ and ‘B’ are desirous in amalgamating them into a new Company ‘C’. Advise the Chairman of ‘B’ as to how the proposal could be implemented.

(20 Marks)

Question No. 05

Discuss the main fiduciary duties of the Directors of a Company.

(20 Marks)

Question No. 06

What is the legal nature of the Articles of Association of a Company? Is it mandatory to state the objectives of a Company in Articles of Association under the Companies Act No. 07 of 2007?

How is third party affected if the Company deviates from its 'object clause' in case of a Company incorporated in terms of the Companies Act No. 07 of 2007?

(20 Marks)

Question No. 07

Discuss the powers and duties of a company auditor appointed under the Companies Act No. 07 of 2007.

(20 Marks)

Question No. 08

“The solvency test has acquired a critical role in Sri Lankan corporate law as a result of capital maintenance rule being abolished.”

Discuss the application of the solvency test in relation to the above statement.

(20 Marks)