

KOLEJ UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF ACCOUNTANCY, FINANCE AND BUSINESS
ACADEMIC YEAR 2017/2018
JANUARY/FEBRUARY EXAMINATION
ABBL3303 BUSINESS & CORPORATE LAW

SATURDAY, 27 JANUARY 2018

TIME: 9.00 AM – 12.00 NOON
(3 HOURS)

DIPLOMA IN BUSINESS STUDIES (BUSINESS ECONOMICS)

Instructions to Candidates:

The examination paper is divided into TWO (2) sections:

SECTION A: Answer **ALL TEN (10)** sub-questions. (40 marks)

SECTION B: Answer **THREE (3)** out of five (5) questions. (60 marks)

You should allow yourself approximately 70 minutes to answer the 10 questions in Section A and 35 minutes for each of the questions attempted in Section B.

Begin each question on a new page.

ABBL3303 BUSINESS & CORPORATE LAW**SECTION A (40 marks)**

Answer ALL TEN (10) sub-questions.

Question 1

- (a) State any **FOUR (4)** elements of a contract. (4 marks)
- (b) State any **FOUR (4)** factors which, if present, will result in no free consent in a contract. (4 marks)
- (c) Give **FOUR (4)** ways in which a contract may be discharged. (4 marks)
- (d) Explain how an agency by ratification arises. (4 marks)
- (e) Describe any **TWO (2)** duties of partners as stated in the Partnership Act 1961. (4 marks)
- (f) Explain what is meant by 'lifting the veil of incorporation'. (4 marks)
- (g) What is the principle of *Smith, Stone & Knight Ltd v Birmingham Corporation*? (4 marks)
- (h) Explain what is meant by an exempt private company. (4 marks)
- (i) Discuss **TWO (2)** advantages of a floating charge from the company's point of view. (4 marks)
- (j) What are the **TWO (2)** organs that manage a company? What matters are handled by these organs? (4 marks)

[Total: 40 marks]

ABBL3303 BUSINESS & CORPORATE LAW**SECTION B (60 marks)**

Answer **THREE (3)** out of five (5) questions.

Question 2

State with reasons whether the following contracts are valid, voidable or void:

- (a) A sixteen-year old girl 'purchases' make-up costing RM200. (2 marks)
- (b) A seventeen-year old boy enters into a scholarship contract with the government. (2 marks)
- (c) A seventeen-year old boy enters into a contract of apprenticeship with a goldsmith. (2 marks)
- (d) A person who is a bankrupt 'buys' a car costing RM5,000. (2 marks)
- (e) Ali rents his house to Muthu for 'as long as Muthu likes'. (2 marks)
- (f) Tom, freely consenting, agrees to sell his horse worth RM10,000 to Ali for RM500. (2 marks)
- (g) Samy agrees to assault Belinda's husband for a sum of RM10,000. (2 marks)
- (h) Frank wants to buy Tan's car for RM5,000 but Tan refuses to agree as the market value of the car is RM30,000. Frank then whips out a gun and points it at Tan's head, threatening to shoot Tan if he does not agree. Fearing for his life, Tan agrees to sell his car to Frank for RM5,000. (2 marks)
- (i) Sam, a lawyer, practises undue influence on his client, Macy, to 'persuade' Macy to sell her house to him (Sam) for RM100,000. The house has a market value of RM 900,000. (2 marks)
- (j) Tan fraudulently tells Lim that his beauty saloon has been making a monthly profit of RM20,000 in order to convince Lim to buy his beauty saloon. Lim then buys the beauty saloon for RM2 million. (2 marks)

[Total: 20 marks]

ABBL3303 BUSINESS & CORPORATE LAW**Question 3**

Joleen (J) owns a racing horse which has to be transported from Kuala Lumpur to Tanau. Tanau is a remote village located in the countryside. There is a well-known horse-training facility located at Tanau which J wants to use to train her horse. When the train carrying the horse arrived at the train station near Tanau, nobody came to fetch the horse as J forgot to make arrangements for the horse to be taken from the train station to Tanau. It was getting dark and the station master, taking pity on the horse, decided to contact J to inform her of the precarious situation her horse was in. However, it was impossible for him to contact J as the area was remote with no telecommunications facility.

The station master then decided to put up the horse in a nearby stable to ensure the horse was safe and well-fed. The stable-owner charged RM500 for the use of the stable which was paid by the station master. Two days later, J turned up at the train station looking for her horse and was briefed by the station master as to what transpired. The station master then asked J to reimburse him the said RM500. J refused to do so, saying that she never authorised him to look after her horse. Advise the station master if he can sue J for reimbursement.

(20 marks)

[Total: 20 marks]

Question 4

You intend to run a business selling smartphones. Would you choose a partnership, sole proprietorship or limited company to run your business? State your choice of business organisation and justify your choice with **NINE (9)** reasons.

(20 marks)

[Total: 20 marks]

Question 5

- (a) Discuss any **FIVE (5)** consequences of the principle of *Salomon v Salomon & Co Ltd*. (10 marks)
- (b) Discuss any **FIVE (5)** differences between loan capital and share capital. (10 marks)

[Total: 20 marks]

ABBL3303 BUSINESS & CORPORATE LAW**Question 6**

- (a) Explain the nature of the relationship that exists between a director and his company. (5 marks)
- (b) Explain each of the following duties of a director of a company:
- (i) A director must not make a secret profit for himself from his position as director. (3 marks)
 - (ii) A director cannot make use of property belonging to the company to make a profit for himself. (3 marks)
 - (iii) A director must use his powers for a proper purpose. (3 marks)
 - (iv) A director must act bona fide for the benefit of the company as a whole. (3 marks)
 - (v) A director must not fetter his discretion and must be free to make decisions. (3 marks)

[Total: 20 marks]