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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Intermediate Stage Pilot paper

Instructions to candidates:

1. Time allowed is **three (3) hours**.
2. Answer any **five (5)** questions only.
3. Answers should be entirely in the **English** language.

<u>Subject</u>	<u>Subject Code</u>
Business & Corporate Law	(BCL)

Question No. 1 (20 Marks)

- (a) What must a plaintiff prove in order to satisfy a court that he/she has been induced to enter into a contract as a result of a misrepresentation? **(10 marks)**
- (b) Briefly explain the types of mistakes that render a contract void. **(10 marks)**
(Total 20 marks)

Question No. 2 (20 Marks)

Explain the legal position in the following circumstances.

- (a) Susil runs a pizza restaurant. He decides to buy a van in order to deliver pizzas to his customers. He enters into a contract with Lal to buy a van from Lal. He uses the car for two months. He has now been informed by the police that the van was stolen six months previously and it must be returned to its true owner. Susil seeks your advice. **(10 marks)**
- (b) Nimal orders 500 kilos of Nuwara eliya potatoes. Bandu, the supplier delivers 400 kilos of Nuwara eliya potatoes and 100 kilos of Indian potatoes. Nimal seeks your advice. **(10 marks)**
(Total 20 marks)

Question No. 3 (20 Marks)

- (a) Mala signed a cheque and crossed it “not negotiable”. She instructed Smith, her accountant, to fill Rs. 10,000/- as the amount on the cheque and fill in A.S. Perera’s name as the payee of the cheque. Smith owed a personal debt to Nalin so he filled Rs. 100,000/- as the amount and made the cheque payable to Nalin. Smith then handed the cheque to Nalin.

Can Nalin obtain payment on the cheque? Give reasons for your answer. **(10 Marks)**

- (b) Briefly explain the methods in which a bill of exchange is discharged. **(10 Marks)**
(Total 20 Marks)

Question No. 4 (20 Marks)

Explain how a company may reduce its capital and how this can be achieved. **(20 Marks)**
(Total 20 Marks)

Question No. 5 (20Marks)

- (a) Define the types of resolution used at company meetings. **(10 Marks)**

- (b) Out line five occasions when a special resolution is required by the Companies Act. **(10 Marks)**
(Total 20 marks)

Question No. 6 (20Marks)

- (a) Alex is a director of Parakrama Limited. The board of directors of Parakrama Limited wish to remove Alex from office before expiration of his term of office. They require your advice whether they can remove Alex from office at a general meeting by a resolution put by members at that meeting without prior notice.

Advise the board. **(8 Marks)**

- (b) Briefly discuss the fiduciary duties of directors. **(12 Marks)**
(Total 20 Marks)

Question No.7 (20Marks)

- (a) Briefly explain the main ways in which an agency can be formed. **(10 Marks)**

- (b) According to the control test explain the determining factors which are taken into consideration in order to establish the master and servant relationship. **(10 Marks)**

(Total 20 Marks)
End of question paper