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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Intermediate Stage March 2009 Examination

Examination Date : 5th April 2009

Number of Pages : 02

Examination Time : 9.30a.m.-12.30p.m.

Number of Questions : 07

Instructions to candidates:

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

<u>Subject</u>	<u>Subject Code</u>
Business & Corporate Law	(BCL / 604)

Question No. 1 (20 Marks)

- (a) (i) Perera applied for the post of accountant in a company. He was called for an interview and the company passed a resolution appointing him, but they did not make any arrangements to notify him. However, Silva, one of the directors, without authority of the company informed Perera that he had been appointed. The company subsequently revoked its previous resolution and passed a resolution appointing another candidate. Perera wishes to file an action against the company for breach of contract.

Can Perera file an action against the company for breach of contract? Give reasons for your answer. **(5 Marks)**

- (ii) Arun wished to buy a land called 'Pol Watta' which was adjoining his land. He sent a telegram to Mahesh the owner of 'Pol Watta' asking 'will you sell me 'Pol Watta'. Send me a telegram informing the lowest price.' Mahesh sent a telegram to Arun informing the price 'Lowest price for Pol Watta' is Rs.900,000/-. Arun then sent a telegram to Mahesh 'I agree to buy 'Pol Watta' for Rs.900,000/- asked by you'. Mahesh then decided that he did not wish to sell 'Pol Watta' for Rs.900,000/-.

Advise Arun, who wishes to sue Mahesh for breach of contract. **(5 Marks)**

- (b) Briefly explain the elements that require forming a valid contract.

(10 Marks)
(Total 20 Marks)

Question No. 2 (20 Marks)

- (a) List out the charges created by companies which are to be delivered to the Registrar for registration under the Companies Act of no 7 of 2007. **(11 Marks)**
- (b) Briefly explain the following:
- (i) Private Companies
 - (ii) Public Companies
 - (iii) Offshore Companies
- (09 Marks)**
(Total 20 Marks)

Question No. 3 (20 Marks)

Explain the nature and the effect of Articles of Association of a company.

Question No. 4 (20 Marks)

- (a) Briefly explain the parties to a bill of exchange. **(10 Marks)**
- (b) Cara, the payee of a bill, endorses it in blank and delivers it to Bala. Bala presents the bill for payment but it is dishonoured by the acceptor.
- Advise Cara on his liabilities on his bill. **(10 Marks)**

Question No. 5 (20 Marks)

Explain how a company director may be appointed and removed from office.

Question No. 6 (20 Marks)

- (a) 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)**
- (b) Define a contract of sale of goods and name the essentials of such a contract. **(10 Marks)**
(Total 20 Marks)

Question No. 7 (20 Marks)

- (a) Briefly explain the duties of an agent. **(12 Marks)**
- (b) Prabath, the owner of the business of a restaurant and a bar, appointed Bimal as Manager of the business. The agreement between them prohibited Bimal from purchasing beer for the business. However, Bimal bought beer from Hot Distilleries for use in the restaurant.
- Discuss whether Hot Distilleries can sue Prabath for the price of beer. **(8 Marks)**
(Total 20 Marks)
- End of Question Paper