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Serial No.....

Institute of Certified Management Accountants of Sri Lanka
Intermediate Stage
September 2009 Examination

Examination Date : 27th September 2009
Examination Time: 9.30 a.m. 12.30 p.m.

Number of Pages : 02
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) Alex booked Martin’s concert hall for a concert. He paid an advance of Rs.50,000/-, out of the total rental of Rs.100,000/-. A fire destroyed the hall before the day of the concert. Alex wishes to sue Martin for damages resulting from the cancellation of the concerts and to claim repayment of Rs.50,000/-.

Can Alex do that? Explain your answer. **(12 Marks)**

- (b) Explain the meaning of the rule that ‘Past consideration is no consideration’. **(08 Marks)**
(Total 20 Marks)

Question No. 2 (20 Marks)

- (a) Explain whether the following in a document purporting to be a bill of exchange, will affect its legal validity if the same had been a bill of exchange:

- (i) ‘Pay A or order Rs.10,000/- on 30 July, 2008 with interest at 10% per annum’.
- (ii) ‘Pay either to A or B Rs.10,000/- on 30 July, 2008’.

(08 Marks)

- (b) Mewan opens an account with a bank and he is advised by his lawyer that he should cross his cheques by drawing two parallel transverse lines on the left hand corner of the cheque and write the words “account payee” between them.

Explain to Mewan the value of such advice.

(12 Marks)

(Total 20 Marks)

Question No. 3 (20 Marks)

- (a) State the particulars the Registrar of Companies should specify in the certificate of incorporation, on receipt of a properly completed application for incorporation. **(08 Marks)**
- (b) Explain what a trade union is and state the Constitutional provisions that are applicable in relation to the 'freedom of association' in the field of Industrial Law (trade union law).

(12 Marks)

(Total 20 Marks)

Question No. 4 (20 Marks)

Explain the circumstances in which a company may be wound up voluntarily, considering briefly the procedure and the consequences of a voluntary winding up.

(Total 20 Marks)

Question No. 5 (20 Marks)

"In practice, debentures are not regarded as differing significantly from shares. Potential investors are not really concerned with the choice of whether to be a member or creditor of a company".

Do you agree with the above statement? Discuss with reference to the differences and similarities between shares and debentures.

(Total 20 Marks)

Question No. 6 (20 Marks)

- (a) Arun and Bala are partners. Elmo sues Arun for wrongful advice that was given to Elmo by the firm. Elmo obtains judgement against Arun, which Arun is unable to pay in full, owing to his lack of means.

Elmo now wishes to bring an action against Bala for the remainder of the claim. Advise Elmo, applying the law relating to partnership. Give reasons for your answer. **(10 Marks)**

- (b) Explain the instances in which profit sharing does not by itself create a partnership.

(10 Marks)

(Total 20 Marks)

Question No. 7 (20 Marks)

- (a) Nalin sold to Sam 300 cases of canned fruits, each case to contain 30 tins. Nalin delivered to Sam 300 cases each, however, containing only 24 tins. Sam wishes to reject the goods although the market value of 24 tins case is the same as that of 30 tins case.

Explain the legal position in the above circumstances.

(08 Marks)

- (b) Raja was employed as managing director of ABC plc. Acting on behalf of the company, Raja contracted for the construction of a building with Office Builders plc, a construction company. Unknown to ABC plc, Raja took a secret profit from Office Builders plc. on the contract.

Advice as to the remedies available to ABC plc. against Raja applying the law relating to agency, giving reasons for your answer.

(12 Marks)

(Total 20 Marks)

End of Question Paper