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Serial No.....

Society of Certified Management Accountants of Sri Lanka

Intermediate Stage March 2008 Examination

Examination Date : 16th March 2008
Examination Time : 9.30a.m.-12.30p.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)

Question No. 1 (20 Marks)

- (a) What are the essentials any five of a valid endorsement? **(10 Marks)**
- (b) Malaka, by mistake draws a cheque payable to Babu, who does not exist. The cheque is negotiated by Paul by forged endorsement to David. Who takes it in good faith and for value.
Can David enforce payment of the cheque? **(10 Marks)**
(Total 20 Marks)

Question No.2 (20 Marks)

- (a) Explain the rule of 'Caveat Emptor' and its exceptions. **(10 Marks)**
- (b) Perera bought a hot water bottle from a chemist who sold such articles. The water bottle burst when boiling water was poured into it and injured the user.
Explain whether Perera can hold the chemist liable for damages? **(10 Marks)**
(Total 20 Marks)

Question No.3 (20 Marks)

- (a) Briefly explain any five essential characteristics of a contract. **(10 Marks)**
- (b) Rohan offered to sell his car to Sena for Rs.8 million. Sena replied offering Rs.6 million which Rohan refused. Sena then agreed to pay Rs.8 million. However Rohan refused the sale. Sena wishes to sue Rohan.
Explain the legal position in the above circumstances giving reasons for your answer. **(10 Marks)**
(Total 20 Marks)

Question No.4 (20 Marks)

Discuss the doctrine of corporate personality. Explain the special benefits arising from incorporation as a limited company and from a separate legal personality. **(Total 20 Marks)**

Question No.5 (20 Marks)

- (a) Explain the followings:
- (i) Private Companies
 - (ii) Public Companies
 - (iii) Unlimited Companies
 - (iv) Offshore Companies **(10 Marks)**
- (b) Explain the effect of the objects clause on corporate capacity both under the Companies Act No.17 of 1982 and the New Companies Act No.7 of 2007. **(10 Marks)**
(Total 20 Marks)

Question No.6 (20 Marks)

- (a) What are the fiduciary duties imposed on directors under the New Companies Act No.7 of 2007. **(10 Marks)**
- (b) ABC Limited was a company carrying on a business in real estate. Tikiri sold a land to ABC Limited which was owned by him under an undisclosed contract.
Explain the liability of Tikiri. **(10 Marks)**
(Total 20 Marks)

Question No.7 (20 Marks)

- (a) Briefly explain the ways in which an agency relationship is derived. **(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
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