UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB31203
COURSE NAME	:	CORPORATE LAW
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	2 JULY 2024
TIME	:	2.00 PM – 5.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **TWO (2) Sections**. **Section A** and **Section B**.
4. Answer **FOUR (4)** questions only. **ONE (1)** question from **Section A** and **THREE (3)** questions from **Section B.**
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**
8. Students are allowed to refer to the unannotated **Companies Act 2016** and **Partnership Act 1961** when answering their papers during the examination.

THERE ARE FOUR (4) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 25 Marks)

INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

a) In the celebrated case of Salomon v Salomon & Co Ltd (1897) AC22, Lord Halsbury LC observed:

"Either the limited company was a legal entity or it was not. If it was, the business belonged to it and not to Mr. Salomon. If it was not, there was no person and no thing to be an agent at all and it is impossible to say at the same time that there is a company and there is not."

Discuss the above statement. Illustrate your answer with relevant statutory provision and decided cases.

(20 marks)

b) In 2023, Man, Min and Mud incorporated a company called 3M Sdn Bhd and are its only shareholders. The company deals with the importing and marketing of luxury cars from Japan and Germany. Man, who holds 80% of the issued shares, was appointed the general manager of the company.
Considering the high value of these cars, Man sought insurance coverage for the cars against theft in order to protect his investment. Being the major owner of the company, Man took out the insurance under his own name with the Disclaimer Insurance Company. Last week, following a break in, two cars were stolen from the company's showroom. When Man submitted his claim to Disclaimer Insurance with respect to the stolen cars, the company refused to entertain his claim. Advise Man whether there are any legal grounds for the refusal of Disclaimer Insurance to settle his claim.

(5 marks)

SECTION B (Total: 75 Marks)

INSTRUCTIONS: Answer THREE (3) questions only.
Please use the answer booklet provided.

Question 1

"It is the relation which subsists between persons carrying on business in common with a view of profit."

Section 3 (1) of Partnership Act 1961.

In light of the above provision and decided cases, explain the elements of partnership.

(25 marks)

Question 2

a) In July 2019, Nadeera, Sam and Suhail decided to form a private limited company under the name Scorpio Sdn Bhd. On 30 July 2019 they entered into a contract with Vox Sdn Bhd to obtain office furniture for Scorpio Sdn Bhd. They signed a contract on behalf of the proposed company. The said contract is worth RM55,000. In November 14, 2019, Nadeera, Sam and Suhail told Vox Sdn Bhd that they had decided not to form Scorpio Sdn Bhd due to the personal differences between Nadeera, Sam and Suhail. Vox Sdn.Bhd. wants to know whether it can enforce the contract against Nadeera, Sam and Suhail.

(10 marks)

b) The constitution of the Buzz Sdn Bhd states that the company's objective is to sell electronic devices. The board of directors has decided to expand the company's business into manufacturing shoes. This decision was objected by one of the shareholders, Steven, who wishes to take an action against the board of directors. With reference to Malaysian Company Law, advise Steven as to whether manufacturing shoes caused ultra vires of its object clause.

(15 marks)

Question 3

Ryan and his wife, Aina are the directors of Aries Sdn Bhd, a company dealing in the sale and repair of personal computers. Each of them holds 25% of the company's issued shares. The other shareholders are Shane and Syamir, each also holding 25% of the issued shares.

Shane and Syamir have discovered that Ryan and Aina have been squandering the funds of the company. The company made a profit of RM10 million last year. Of this amount RM1.5 million was used up by the directors in entertainment expenses purportedly on behalf of the company. They bought a Ferrari at the cost of RM1.5 million in the name of the company.

A donation of RM2 million was made to the Luxuria Old Folks Home. Aina's mother is a resident of that home where she is well taken cared of. The company has bought a piece of land from Alia, Aina's sister, for RM3 million. The true value of the property is only RM1 million. Ryan and Aina received a gift of Rm300,000 from Alia in appreciation of their kindness.

Advise Shane and Syamir on the following:

a) Have the directors breached any fiduciary duty to the company?

b) What are the legal actions that can be taken against Ryan and Aina for the loss arising from the breach of their fiduciary duties?

(25 marks)

Question 4

Using the Companies act 2016 as a guide, explain the followings: -

a) Shares

(3 marks)

b) Debentures

(3 marks)

c) Fixed charge

(5 marks)

d) Floating charge

(7 marks)

e) Crystallization

(7 marks)

END OF EXAMINATION PAPER