



جامعة السلطان الشريف علي الإسلامية  
UNIVERSITI ISLAM SULTAN SHARIF ALI  
SULTAN SHARIF ALI ISLAMIC UNIVERSITY

**Faculty of Shariah and Law  
Semester I, 2020/2021 Academic Session**

**Final Examination  
Question Paper**

**Course Code : LB3305  
Course Name : Company Law I  
Course Level : Bachelor's Degree  
Time : 3 hours**

**Reference(s) allowed:  
COMPANY ACT (CAP. 39)**

**Instructions:**

1. Answer any **four** of the following questions.
2. All answers, wherever relevant, must be supported by statutory provisions and case law.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**QUESTION 1 (15 Marks)**

Makanlah Bhd, has been incorporated in 2016. Its object clause provides that the company will run a restaurant and catering business, and any other business incidental or consequential to it. Tamak, Loba and Lahap are its directors. During last year, the directors decided to venture into sheep rearing without amending the object clause. They made the following contracts with Bangunan Construction.

To build 50 sheep shelters at the cost of BND1 million. Bangunan Bhd knew that sheep rearing was not provided for in the object's clause of Makanlah Bhd. Bangunan Construction Bhd has not been paid and is threatening to sue the company.

The Directors bought 1,000 heads of sheep from Samson Sheep Ltd of Australia for A\$100,000. Samson Sheep Ltd did not know of the provisions of the object's clause of Makanlah Bhd. They have not been paid for the sheep and have started an action against the company for the A\$100,000. The Directors contracted to buy animal feed from Rumput Sdn Bhd for BND 50,000. This contract has not yet been performed.

Advise Bangunan Construction Bhd, Samson Sheep Ltd and Rumput Sdn Bhd as to whether they could enforce the contracts against Makanlah Bhd. Also advise the members who have come to know of these contracts and wish to protect the company.

**QUESTION 2 (15 Marks)**

A public company in the mining business made an issue of its shares to the public at BND .10 per share. In the prospectus, the company stated that "the company has discovered a booming market in Indonesia for its minerals"

The company had never marketed its minerals in Indonesia. Ahmad, without reading the prospectus applied for shares and was allotted 1000 shares at BND.10 each. Fatima read the prospectus, applied for the shares but was not allotted any shares. Later, Fatima bought 2000 shares at the stock exchange at BND.25 each. Hasan, an old shareholder in the company-owned 500 shares even before the company made the issue. He is disappointed with the price at which the new offer

for sale was made claiming that this had destabilized the price of the company's shares.

- (a) Explain the legal principles applicable in the above case and advise Ahmad, Hasan and Fatima.

(7 Marks)

- (b) Ahmad prepared a transfer form to transfer 100 shares only to his wife Rose Farida, presented the form to the company. The company erroneously transferred the entire 1000 shares to Ahmad's wife.

Ahmad is aggrieved and seeks your legal advice. Discuss the legal principles in the case and advise Ahmad.

(8 Marks)

### **QUESTION 3 (15 Marks)**

- (a) Who has the authority to enter into a contract on behalf of a company? Discuss also how do companies enter into an agreement with third parties.

(7 Marks)

- (b) "Directors are under the duty to act in good faith and in the best interests of the Company."

Is it important that directors follow their fiduciary duties which revolve around the need for trust and honesty as a director for the company to successfully grow? Explain critically.

(8 Marks)

### **QUESTION 4 (15 Marks)**

- (a) What do you understand by the doctrine of *ultra vires*? State the exception(s) to this doctrine. What are the possible consequences of the of *ultra vires* transactions? Refer to decided cases.

(5 Marks)

- (b) What do you understand by the term "veil of incorporation"? Discuss how the veil of incorporation may be lifted.

(5 Marks)

(c) What is the concept of separate entity? Discuss with the help of *Salomon v Salomon & Co. Ltd* [1897] AC 22.

(5 Marks)

### **QUESTION 5 (15 Marks)**

(a) The Rule of Constructive Notice very much opposes the “Doctrine of Indoor Management.” Examine with Leading Case Laws.

(6 Marks)

(b) Explain the procedure for the following:

- i. change of name of company. (3 Marks)
- ii. change from public to private company. (3 Marks)
- iii. change in notice requirement for extraordinary general meeting. (3 Marks)

### **QUESTION 6 (15 Marks)**

(a) What are the compulsory clauses in the Memorandum of Association? Can the compulsory clause of Memorandum of Association be altered? If so, how and to what extent?

(7 Marks)

(b) Shark is the Purchasing Officer in Marina Bhd., a company which operates fishing vessels. It is the practice among such companies not to make purchases without the written consent of the Board of Directors. Shark signs an agreement with Oceania Bhd. for the purchase of a vessel. This is not disclosed to the Board of Marina Bhd. In fact, Shark has told Oceania that the Board had orally consented to the said purchase and that he had the authority to sign the sale and purchase agreement. Marina Bhd. does not wish to be bound by the agreement.

Advise Marina Bhd.

(8 Marks)