



SCHOOL OF LAW

COURSE NAME: Company and Partnership Law 1

COURSE NO: LA 308

TIME ALLOWED: Three (3) Hours

READING TIME: Fifteen (15) Minutes

NUMBER OF PAGES: Four (4)

NUMBER OF QUESTIONS ON PAPER: Seven (7)

NUMBER OF QUESTIONS TO BE ANSWERED: Four (4)

MARK ALLOCATED FOR EACH QUESTION: Fifteen (15) Marks

TOTAL MARKS: Sixty (60) Marks

MATERIALS PERMITTED IN EXAMINATION ROOM:

This is a closed-book examination. No materials will be permitted in the examination hall.

SPECIAL INSTRUCTIONS

All answers must be supported by regional case-laws and/or statutes where applicable.

Please do not turn over any page until you are told to do so.

Approved
[Signature]

1. Critically examine the relevance of the historical periods of English company law to the development of companies in any chosen jurisdiction in the South Pacific. (15 marks)

2. Mr Friend and ten others have been in the tannery business for over a decade. Due to the increasing volume of orders they have been receiving from existing and potential clients, they decided to register a company to facilitate their business expansion. They are looking at a medium-sized business and do not want to be bogged down by the complicated financing reporting requirements of the company registry. To this end, they have advised you that they want a private company.

(a) Advise Mr Friend and the ten others on the advantages of registering such a company taking into account their specific circumstances. (10 marks)

AND

(b) How would your answer differ from (a) above, assuming that the company is to sell its shares on the South Pacific Stock Exchange? (5 marks)

3. Generic Technologies Limited, Pristine Engineering Limited and Crystal Inventions Limited are all based in the South Pacific. Generic Technologies Limited is located in a tax haven but the other two companies are in tax-based countries. Each of the companies has a different board of directors and is solely responsible for its in-country operations. Generic Technologies holds 30 and 51 per cent of the shares in Pristine Engineering Limited and Crystal Inventions Limited, respectively. Pristine Engineering Limited has generated huge debts due to poor management and the creditors now want Generic Technologies Limited to pay for that. The creditors have filed a writ of summons in the High Court against both Pristine Engineering Limited and Generic Technologies Limited. At the hearing counsel to defendants submitted that:

(a) Pristine Engineering Limited and Generic Technologies Limited are different legal entities. (5 marks)

(b) The two companies are independent of each other because of their separate board of directors (5marks)

(c) They are located in different jurisdictions. (5 marks)

As counsel to the creditors, outline your response to each of the points raised by learned counsel for the defendants.

4. Ray Lights Limited is a public company with a paid up capital of \$10000 divided into 10000 shares of \$1 each. As a result of the board of directors' decision, the share capital was increased to \$20000. The increase was subsequently confirmed by an ordinary resolution of the general meeting. The increased portion of the share capital is issued for sale as 10000 shares of \$1 each to the public. The sale netted a total of \$20000. The company transferred \$15000 to the share capital account and \$5000 to the share premium account. The shareholders later passed an ordinary resolution authorising the board of directors of the company to use \$3000 from the share premium account to pay for a new series of bonus issues to existing shareholders. At its last general meeting, the shareholders passed an ordinary resolution to reduce the share capital of the company to \$5000. A result of this reduction, a number of shareholders have lost their investments in the company.

Discuss the issues raised by these developments. (15 marks)

5. Miss Trust is appointed as a director of Mirage Furnishings Limited for a period of five years from 1 January 2002. She was later elected by the board of directors for serve as managing director for the same period with a gross remuneration and perquisites of \$100000 per annum. She then signed a contract of service with the company as managing director for the same period. On the 1 January 2004- due to board room disagreements, she was voted out as the managing director but

remained as a director. On 10 January 2004, she received a notice from the shareholders of informing her of her removal from the directorship of the company with immediate effect. The removal was by an ordinary resolution of the general meeting.

Discuss: (a) the regularity or otherwise of these decisions (7.5 marks) AND (b) her rights if any against the company (7.5 marks).

6. Trans-Logic Limited is a manufacturer of precision measuring instruments. It wants to raise additional funds to expand its operations through loans. It decided to approach Finance Bank for a loan of \$1million. It has stock-in-trade worth \$200000 and land including the premises housing its offices, which together, are worth \$500000. Trans-Logic Limited is unsure of the procedures to adopt and the statutory requirements to comply with when processing the loan application.

Advice the company on the:

(a) Debenture option/s it may choose (7 marks)

(b) Statutory requirements to comply with pertaining to the formalisation of the loan agreement, perfection of the debenture and stamp duty (8 marks).

7. (a) Compare and contrast partnerships with cooperatives (10 marks) AND (b) which more suited to rural development in the South Pacific and why? (5 marks)

END OF PAPER