



CHARTERED TAX INSTITUTE OF MALAYSIA (225750 T)
(Institut Percukaian Malaysia)

PROFESSIONAL EXAMINATIONS

FINAL LEVEL

COMPANY & BUSINESS LAW

DECEMBER 2017

Student
Registration No.

Date

Desk No.

Examination Centre

Time allowed: 3 hours

INSTRUCTIONS TO CANDIDATES

1. You may answer this paper **EITHER** in English **OR** in Bahasa Malaysia. Only **ONE** language is to be used.
2. This paper consists of **TWO** sections, **SECTION A** contains **THREE** Questions and **SECTION B** contains **THREE** Questions.
3. Answer **FIVE** Questions. **TWO** Questions from each section and **ONE** from either **SECTION**.
4. Each answer should begin on a separate answer booklet.
5. All your answers should be written in either black or blue ink.
6. No Question paper or answer booklet is to be removed from the examination hall.

DO NOT TURN OVER THIS PAGE UNTIL INSTRUCTED BY THE INVIGILATOR

SECTION A
COMPANY LAW

Question 1

(a) **With reference to Sections 20 and 21 Companies Act 2016, explain the concept of “separate legal entity” and the principle that “companies have unlimited capacity”.**

(10 marks)

(b) **Under Section 10 Companies Act 2016, what are the types of companies that may be incorporated and the extent of the members liability under the said type of companies?**

(10 marks)

[Total: 20 marks]

Question 2

(a) **When is a person considered a member of a company and what are the rights and liabilities of such a member?**

(10 marks)

(b) **What is the procedure for converting:**

(i) **A public company into a private company?**

(5 marks)

(ii) **A private company into a public company?**

(5 marks)

[Total: 20 marks]

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Question 3

- (a) Michael, Stanley, Thomas and Peter would like to form a private limited company under the name of Rock Salt Sdn Bhd and venture into a business of importing and selling rock salt from Pakistan and a few other countries. They are not sure as to how companies are really managed and whether all of them can be appointed as directors of Rock Salt Sdn Bhd.

Advise them on the following questions:

- (i) **What are the decision making bodies of a company and how are their powers divided?**
(4 marks)
- (ii) **What is the minimum number of directors required for Rock Salt Sdn Bhd? What is the number of directors required if they were to form a public company instead?**
(3 marks)
- (iii) **Who are disqualified from acting as directors?**
(3 marks)
- (b) Michael, Stanley and Peter were intending to incorporate Rock Salt Sdn Bhd on 20th October 2017. In the meantime, Michael found a suitable warehouse close to Port Klang on 10th October 2017, which can be used to store the rock salt to be imported by them and accordingly rented the warehouse from the owner, Kamaruddin for RM15000.00 a month commencing 1st November 2017 for a period of three years. He did not inform Stanley and Peter as he had no time to do so, as Kamaruddin wanted to rent the warehouse to another interested party, if Michael was not going to sign the tenancy agreement immediately.

Due to some delay, their business only commenced in late November 2017 and Rock Salt Sdn Bhd had failed to pay the October and November 2017 rental to Kamaruddin.

Advise Kamaruddin as to his legal rights against Rock Salt Sdn Bhd and Michael.

(10 marks)

[Total: 20 marks]

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SECTION B
BUSINESS LAW

Question 4

Muthu, was authorised by Bakar to buy a consignment of rice at the price of RM2.00 per kilogram. During the purchase, Muthu came across a better-quality rice which was priced at RM2.50 per kilogram. Without further informing Bakar, Muthu decided to purchase the better-quality rice although the price is higher than that authorised by Bakar. His intentions were so that Bakar would be able to resell the rice at a higher price and make more profit. Muthu made arrangements for the purchase under his own name. Bakar however, failed to take delivery of the rice and the seller sues Muthu for breach of contract.

Advise Muthu whether he may claim from Bakar with regards to the claims made against him by the rice seller.

[Total: 20 marks]

Question 5

(a) **Explain what is meant by capacity to contract.**

(10 marks)

(b) **Ali and Ben enter into a contract. As a general rule can a third party, Muthu, sue Ali when Ali commits a breach of contract?**

Give reasons for your answer.

(10 marks)

[Total: 20 marks]

Question 6

(a) **Explain clearly what a “Sole Proprietorship” is.**

(6 marks)

(b) **What are the advantages of a sole proprietorship?**

(7 marks)

(c) **What are the disadvantages of sole proprietorship?**

(7 marks)

[Total: 20 marks]

(END OF QUESTION PAPER)