

SEMESTER II EXAMINATIONS - SUMMER 2000/2001

DIPLOMA IN BUSINESS STUDIES

BUSINESS LAW (LW160)

**Mr. Ray Friel
Ms. C. Gardiner**

Time allowed: Two Hours

Answer: Three Questions

1. Answer (a) and (b)

- a) Richie Johnson has five talented children who sing in a band called The Johnson Five. The group is very popular and successful and Richie manages the business as a sole trader. Richie is now nearing retirement age and wants to reduce his participation in the business. His children are growing older and he wants to let them take greater responsibility and a stake in the business. He decides that he will incorporate the business and form a limited company called The Johnson Five Ltd. His children will become minority shareholders. He will hold a majority of the shares. The business is valued at £150,000. Richie takes 100,000 shares of £1 each and a debenture of £40,000 which is secured against the assets of the company. His children take 10,000 shares of £1 each. After a year, however, the fortunes of the Johnson Five begin to take a turn for the worse. New music trends like dance, techno and trip-hop have left the Johnson Five behind and their album sales fall dramatically. The company is put into liquidation. Creditors of the company are dissatisfied because Richie is asking that his secured loan of £40,000 be paid first. Analyse the relevant law and advise Richie as to whether he can succeed in a claim against his company.

AND

- b) what is meant by the veil of incorporation. In what circumstances can the veil of incorporation be lifted by the courts?
2. Discuss the power of a partner to make himself and his partner(s) liable for transactions which he enters into on behalf of the firm. In your answer distinguish between the actual and apparent authority of a partner.
3. Analyse and discuss the circumstances in which an ex-employee can seek a remedy for unfair dismissal under the Unfair Dismissals Acts 1977-1993
4. Tom and Tim have been partners in a desktop publishing business for 10 years. Their business has grown substantially in recent years and they feel that they may benefit from trading through the vehicle of a private limited company. They are worried about the formalities of establishing a company and are unsure about the implications of trading as a company. They seek specific advice from you on the following matters:
- a) What restrictions may be placed on their choice of name for the company?
- b) What are the main documents to be submitted to the Registrar of companies in order to obtain a certificate of incorporation? What is the significance of these documents?
- c) What are the advantages and disadvantages of trading as a private limited company rather than as a partnership?
5. What do you understand by the Ultra Vires Rule in Company law? Discuss the effects of S.8 of the Companies Act 1963 on ultra vires contracts.

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