



**THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES**

BACHELOR OF MANAGEMENT STUDIES (HONOURS) DEGREE PROGRAMME

**OSU5410 – LAW RELATING TO BUSINESS ORGANIZATIONS & STRUCTURES
FINAL EXAMINATION – 2025 / 2026**

DURATION – THREE (03) HOURS

DATE: 04th JULY 2026

TIME: 09.30 am – 12.30 pm

Instructions:

- **Total Number of Questions: SIX (06)**
- **Answer question Number ONE (1) and any other FOUR (4) questions. You must answer a total of FIVE (5) questions.**
- **Candidates will be penalized for illegible handwriting**

Question No 01 (Compulsory Question)

Mr. Perera is the owner and sole proprietor of "Apex Tea Exporters" in Colombo. Due to his busy schedule, he formally issues a signed legal document to an executive named Saman, expressly authorizing him to negotiate and sign supply contracts with local tea estate factories on behalf of Apex Tea Exporters. During a business trip to Nuwara Eliya, Saman meets a new estate owner and, without waiting for Mr. Perera's direct confirmation, signs a contract with the name of Apex Tea Exporters to buy 1,000 kg of premium tea. The estate owner signs the agreement, believing Saman has full authority to represent Mr. Perera. Meanwhile, back in Colombo, a heavy flood hits the warehouse of Apex Tea Exporters while Mr. Perera is unreachable on a flight. A stock of perishable tea leaves is about to get completely destroyed due to water damage. To minimize the massive financial loss, Kamal, the warehouse supervisor who has no formal contractual authority to sell goods, immediately sells the vulnerable stock to a local buyer at a discounted market price to save whatever money he can. At the same time, Mr. Perera's 15-year-old son, Ranil, signs an agreement appointing his school friend as an "agent" to sell his personal laptop, which leads to a legal dispute.

- a. Define Agency and explain its essential elements. (05 Marks)
- b. Explain how the agency between Mr. Perera and Saman was created. Discuss the difference between express and implied authority. (05 Marks)
- c. What type of agency may arise from Kamal's action during the flood? Explain the conditions required for its validity. (05 Marks)
- d. Discuss whether Ranil can validly appoint an agent and explain the rules relating to capacity in agency. (05 Marks)

(Total 20 Marks)

Question No 02

- a) Define what a "Company" is based on Session 09. Explain the concept of "Separate Legal Personality" and discuss how it protects the owners of a business upon incorporation. (05 Marks)
- b) Identify and briefly explain four (04) different types or classifications of companies that can be registered under the legal framework of Sri Lanka (05 Marks)
- c) Once a business successfully completes the registration process, it experiences significant legal shifts. Discuss four (04) primary legal effects of registration for an incorporated company. (05 Marks)
- d) Define the role of "Promoters" in the context of company formation. Discuss their legal position and the primary duties they owe towards the company and its future stakeholders. (05 Marks)

(Total 20 Marks)

Question No 03

- a) Define the legal meaning of a "Shareholder" and list three (03) typical rights they enjoy in a registered company. (05 Marks)
- b) Explain the strict restriction a company faces regarding the Solvency Test when it attempts to purchase or buy back its own shares. (05 Marks)
- c) If a company is financially unstable or insolvent, what alternative paths or protections does the law provide to protect both the minority shareholder and the company's creditors? Explain. (10 Marks)

(Total 20 Marks)

Question No 04

Amal and Bimal entered into a written agreement to establish a registered partnership business called "Horizon Traders" to wholesale electronic items in Colombo. According to their agreement, Amal contributed 70% of the capital and took full responsibility for day-to-day management, while Bimal contributed 30% of the capital but did not participate in managing the business operations at all. To expand their market presence, they invited Chamal, a well-known electronics expert, to join them. Chamal did not invest any capital and did not share in the profits, but he formally allowed Amal and Bimal to print his name on the firm's official letterheads and promotional banners as a "Senior Partner." Based on Chamal's reputation, a third-party bank granted a massive credit facility to Horizon Traders. Two years later, without consulting Bimal or Chamal, Amal used the firm's official bank account to purchase a luxury delivery van solely registered under the firm's name. However, due to sudden economic changes and poor management by Amal, the business suffered severe financial losses and accumulated massive debts. Bimal, realizing the financial danger, wants to leave the firm immediately. Meanwhile, the bank has filed a lawsuit targeting not only the business assets but

also the personal luxury house owned individually by Bimal, and the personal vehicle of Chamal to recover the outstanding debts.

- a) Identify the type of partner represented by Amal, Bimal, and Chamal. Discuss whether Chamal can be held liable for the debts of the partnership. (05 Marks)
- b) Define Partnership Property. With reference to the delivery van purchased by Amal, discuss whether it forms part of the partnership property. (05 Marks)
- c) Explain the liability of partners for partnership debts. Discuss whether Bimal's personal property can be used to satisfy the debts owed to the bank. (05 Marks)
- d) Explain the ways in which a partnership may be dissolved. What is the legal effect of dissolution on the partnership? (05 Marks)

(Total 20 Marks)

Question No 05

- a) Define the term "Corporate Governance" based on the OECD (2004) framework and discuss why an effective corporate governance structure is essential for public and private companies. (06 Marks)
- b) Identify and explain the five (05) key principles of Corporate Governance. Outline the role of the Board of Directors in ensuring compliance with these principles. (10 Marks)
- c) Discuss four (04) major current problems or pitfalls in corporate governance that lead to major corporate scandals, fraud, and the breakdown of public confidence. (04 Marks)

(Total 20 Marks)

Question No 06

Write short notes on the following topics.

- a) Creation of Agency by Ratification (05 Marks)
- b) The Test of Partnership (05 Marks)
- c) Role of the board of directors in corporate governance (05 Marks)
- d) The Concept of 'Solvency Test' under Sri Lankan Company Law (05 Marks)

(Total 20 Marks)