UNIVERSITI UTARA MALAYSIA

PEPERIKSAAN AKHIR PROGRAM SISWAZHAI
SEMESTER MEI, SESI 2001/2002

KOD KURSUS : PU 6013 : LAW & ETHICAL ISSUES IN BUSINESS
TARIKH : 23 SEPTEMBER 2001
MASA : 2:30 PTG - 5:30 PTG
       (3 Hours inclusive of 15 minutes for reading)
TEMPAT : SUNGAI PETANI
GROUP : A

INSTRUCTIONS :

* ANSWER ALL FOUR QUESTIONS

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<th>NO. MATRIK</th>
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<td>NO. KAD PENGENALAN</td>
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<td>NAMA PENSYARAH</td>
<td>: Mr. R. N. SHARMA</td>
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JANGAN BUKA SOALAN INI
SEHINGGA DIBERI ARAHAN

SULIT
UNIVERSITI UTARA MALAYSIA
GRADUATE SCHOOL
FINAL EXAMINATION

PU 6013: Law & Ethical Issues In Business

Date: 23rd September 2001

Time: 1430 - 1730 (3 hours inclusive of 15 minutes for reading)

Venue: Sungai Petani

Group: A

Lecturer: R.N.Sharma

Instructions: Answer ALL FOUR questions

Question 1

Devan agreed to let his music hall for one week to Shaw for a concert to be held during the first week of August 2001. At the time of the agreement dated 25.7.2001, Shaw paid a deposit of RM1,000/- and agreed to pay the balance RM2,000/- on or before 29 July but failed to do so.

Unfortunately, on the night of 30 July, the hall was burnt down in a fire. Devan and Shaw are now claiming from each other as below:-

(a) Devan insists that Shaw must pay him RM2,000/- which was payable by 29 July but which Shaw failed to pay.

(b) Alternatively, Devan is claiming RM2,000 as damages for breach of contract because Shaw failed to make the payment as agreed.

(c) Devan is also demanding RM850/- which he spent on new curtains at Shaw's request.

(d) Shaw insists that Devan must refund him the deposit of RM1,000/- and has rejected his claim for RM2,000/- and RM850/- mentioned above.

Discuss the legal position between the parties with reference to their claims against each other.

(25 marks)
Question 2

Romeo, a spoiled young millionaire, fell in love with an attractive dance hostess named Gun Dik. He promised to pay her an allowance of RM5,000 per month in exchange for her promise to be his exclusive mistress for five years. He further promised to let her stay in a house owned by him free of charge for five years and to transfer the house and the adjoining land to her at the end of the five year period of faithful concubinage.

After the agreement Gun Dik moved into the house and remained his faithful mistress for five years and then they parted. Romeo had happily paid her the monthly allowance of RM5,000 for four years but could only afford to pay RM3,000 per month during the fifth year. However, he transferred the house to her and signed a written note saying that he would pay the arrears amounting to RM24,000/- within two months. In the same note he apologised for not being able to transfer the piece of land to her because his wife wanted to keep it for herself.

Romeo and Gun Dik are no longer on good terms and Gun Dik has just commenced legal proceedings in which she is claiming as below:-

(a) Arrears of allowance amounting to RM24,000/-

(b) Transfer of the piece of land

(c) Damages for breach of contract

Romeo has rejected Gun Dik's claims and is counter-claiming as below:-

(i) Refund of RM276,000 paid to her during the five years

(ii) Re-transfer of the house

(iii) Vacant possession of the house.

Discuss each claim and counter-claim with reference to decided cases and principles contract law.

(25 marks)
Question 3

Parentco Bhd incorporated a wholly-owned subsidiary company called Subsid Sdn Bhd with a paid-up capital of RM50 million and submitted a tender for a large Government contract in the name of Subsid Sdn Bhd. The tender was successful but the Government made it a condition that the paid-up capital of Subsid must be raised to at least RM80 million. Parentco had no more money to inject into Subsid and so the directors of Parentco namely Ali, Abu and Lim decided to invest their own money in subsid. They contributed RM10 million each to Subsid’s capital and thus Subsid was able to satisfy the condition of having a minimum paid-up capital of RM80 for the award of the tender.

Subsid successfully completed the Government contract and realised a huge profit. Its shares were now worth twice their par value. Parentco, Ali, Abu and Lim sold all their shares in Subsid to other persons and doubled their money.

Subsequently, a large corporation called Giant Bhd bought over Parentco and removed Ali, Abu and Lim as directors by using its majority voting power but without giving any reasons. Giant Bhd was not happy that the directors had made a profit of RM10 million each by investing in Subsid and later selling off their shares without disclosing these two facts to the shareholders of Parentco. The new board of directors of Parentco have been ordered by Giant Bhd to sue Ali, Abu and Lim for the undisclosed profit of RM10 million each. Ali, Abu and Lim have asked your advice on the following questions?

(a) Are they liable to refund their profit of RM10 each to Parentco? They claim that they had duly disclosed their investment and profit to the board of directors of both companies.

(b) Can they successfully sue Parentco for removing them from its board of directors as they were appointed directors for life? If so can they obtain an injunction against their dismissal?

Give your advice based on principles of law relating to Fiduciary duties of directors, Conflict of interest, and Power of Removal of Directors.

(25 marks)
Question 4

Lucy, a beautician, bought some undergarments from a supermarket. She had an unusually sensitive skin but she did not disclose this fact to the supermarket. On wearing the undergarments, she developed some skin problem for which she had to seek medical treatment and for which she spent RM2,500. She could not attend to her business as a beautician for two weeks and incurred a loss of income amounting to RM5,000.

A chemist's report states that the undergarments contained excessive chemicals used during the manufacturing process and that these chemicals could cause skin problem to most wearers unless the garments were washed before being worn. Lucy did not wash them before wearing as she was not in the habit of washing newly-bought clothes.

The supermarket has denied any liability on the ground that they had no knowledge or expectation of any defect in the garments as they were manufactured by a reputable corporation called Kain Bhd.

Kain Bhd has also denied any liability on the ground that such garments had been in the market for more than 6 weeks without any complaint from any dealer or purchaser.

Advise Lucy whether she has any right of action against the Supermarket and/or Kain Bhd.

(25 marks)