

## **BUSINESS AND COMPANY LAW**

### **AIM**

To ensure that students have a sound knowledge and understanding of the legal implications of business transactions as well as the statutory requirements applicable to the management and administration of companies.

### **INTRODUCTION**

This paper covers Business Law (30%) and Company Law (70%).

The Business Law syllabus is designed with the aim that students should be able to understand the implications of business contracts. An understanding of the law of partnership and agency is essential particularly in relation to the legal environment within which businesses operate.

Company Law is an important area in the training of CPAs as it has direct impact on their work either as auditors, accountants, company secretaries or insolvency practitioners. The syllabus is thus designed to equip students with a strong knowledge of the statutory requirements pertaining to the formation, financing, management and administration of a company. In addition, corporate governance requires a sound knowledge of the duties and responsibilities of directors, company secretaries and managers. Students are expected to be familiar with the provisions of the Companies Act 1965 and other laws and regulations in the legal framework governing the operation of companies. They must also be aware of important recent developments in the legal framework affecting companies.

Students can expect some of the questions to be integrative, testing on the application of both parts of the syllabus.

### **SYLLABUS WEIGHTING**

<b>SYLLABUS CONTENT AREA</b>	<b>WEIGHTING</b>
Contract law	20%
Agency and partnership law	10%
Formation of company	10%
Capital and financing of a company	20%
Management and administration of a company	20%
Company transformation, receivership, and winding up	20%
Total:	100%

## EXAMINATION FORMAT

A 3-hour written paper consisting of two parts:

Section A	2 compulsory question	40%
Section B	Choice of 4 from 6 questions	60%

## SYLLABUS CONTENT

## LEVEL

### BUSINESS LAW

#### 1. Contract Law

a	Essential elements of contract	<b>A</b>
	i Offer	
	ii Acceptance	
	iii Consideration	
	iv Intention to create legal relations	
	v Capacity	
	vi Certainty	
b	Terms of contract	<b>A</b>
	i Standard form contracts	
	ii Exclusion clauses	
c	Void and illegal agreements	<b>B</b>
	i Contracts in restraint of trade	
	ii Contracts that are :	
	• Forbidden by law	
	• Defeats the law	
	• Fraudulent	
	• Against public policy	
d	Factors vitiating a contract	<b>B</b>
	i Coercion	
	ii Undue influence	
	iii Misrepresentation	
	iv Fraud	
	v Mistake	
e	Discharge of contract	<b>B</b>
	i Performance	
	ii Agreement	
	iii Impossibility or frustration	
	iv Breach	

- f Remedies for breach of contract **B**
  - i Damages
  - ii Specific performance
  - iii Injunction
  - iv Quantum meruit

**2. Agency and Partnership Law**

- a Agency **B**
  - i Nature and creation of agency
  - ii Rights and duties of agent and principal
  - iii Authority of agent
  - iv Termination of agent
  - v Effects of agency contracts
- b Partnership **B**
  - i Nature and definition of partnership
  - ii Differences between partnership and other forms of business
  - iii Creation of partnership
  - iv Rights and obligations of partners
  - v Relationship of partners to persons dealing with them and each other
  - vi Dissolution of partnership

**COMPANY LAW**

- 3. Formation of a Company** **B**
- a Types of companies
  - b Principle of corporate personality and the effect of incorporation
  - c Procedure for incorporation of companies
  - d Duties of promoters
  - e Pre-incorporation contracts
  - f Memorandum and articles of association
    - i Contents
    - ii Legal effect of memorandum and articles of association
    - iii Alteration of memorandum and articles of association
  - g Powers of a company and the doctrine of ultra vires

#### **4. Capital and Financing of a Company**

**A**

- a Share capital
  - i Classes of shares & variation of class rights
  - ii Prospectus
- b Issue and transfer of shares
  - i Issue of shares at a discount
  - ii Issue of shares at a premium
  - iii Procedure for transfer of shares
- c Capital maintenance
  - i Doctrine of maintenance of capital
  - ii Purchase of own shares
  - iii Financial assistance for purchase of shares
  - iv Reduction of capital
  - v Dividends
- d Charges and Debentures
  - i Loan capital
  - ii Types of debentures
  - iii Fixed and floating charges
  - iv Registration of charges
- e Flotation
  - i Methods of flotation
  - ii Allotment of shares and commencement of business
  - iii Underwriting and commission
- f Regulation of companies with publicly traded securities
  - i Listing Requirements of Bursa Malaysia
  - ii Securities Commission's policies and guidelines

#### **5. Management and Administration of a Company**

**A**

- a Directors
  - i Appointment
  - ii Qualification and disqualification
  - iii Removal
  - iv Compensation for loss of office
- b Directors' duties
  - i Fiduciary duties
  - ii Duty of care and skill
- c Directors' powers
- d Directors' transactions with the company
  - i Loans to directors
  - ii Insider dealing
  - iii Offence of insider trading with reference to the Securities Industry Act 1983
- e Company Secretary
  - i Qualification and appointment
  - ii Status, duties and liability

- f Shareholders
  - i Rights of shareholders
  - ii Majority control and the protection of minority shareholders
- g Meetings and procedures
  - i Types of meetings
  - ii Conditions for a valid meeting
  - iii Types of resolutions
- h Related party transactions
  - i Disclosure of related party transactions
  - ii Offence of related party transactions with reference to the Securities Industry Act 1983 and Listing Requirements of Bursa Malaysia
- i The Malaysian Code on Corporate Governance
  - i Composition of the board of directors
  - ii Independent directors
  - iii Audit Committee
  - iv Relationship between the board and shareholders
  - v Role and duties of directors relating to good corporate governance

**6. Company Transformation B**

- a Reconstructions and schemes or arrangements
  - i Procedure and safeguards
- b Mergers and takeovers
  - i Code on take-overs and mergers

**7. Receivership and Winding Up B**

- a Receivership
  - i Receivers and managers
  - ii Qualifications and appointment
  - iii Duties and liabilities
- b Winding Up
  - i Types of winding up
  - ii Qualifications and appointment of liquidators
  - iii Duties and liabilities of liquidators
  - iv Proof and priority of debts in a liquidation
- c Transactions arising in a liquidation

## RECOMMENDED BASIC TEXTS

MICPA	Business and Company Law Study Manual	MICPA
<b>Business Law</b>		
Vohrah & Wu Min Aun	The Commercial Law of Malaysia	Longman
<b>Company Law</b>		
Walter Woon	Company Law	Sweet & Maxwell Asia 3 <sup>rd</sup> Edition
Chan & Koh	Malaysian Company Law - Principles & Practice	Sweet & Maxwell Asia 2 <sup>nd</sup> Edition

## Relevant Statutes and Regulatory Guidelines

Civil Law Act ,1956 (Revised 1972)

Contracts Act, 1950

Partnership Act, 1961

Companies Act ,1965 (as amended)

Malaysian Code on Take-Overs and Mergers 1998

Capital Markets and Services Act 2007

Securities Commission (Amendment) Act 1993

Securities Commission's Policies and Guidelines on Issue/Offer of Securities

Listing Requirements of Bursa Malaysia

*Revised Dec 2010*