

Business regulations and practices

[Business](#)



Problem One: Ultra Vires Doctrine One must contend with several factors to understand whether Oya had exceeded her authority or not. Every corporation has the objects clause, which is found in the memorandum of association. The objects clause defines the powers of the directors in running the corporation (Dignam, Goo and Hicks 170). The objects clause defines the reason the company is formed. The act of a corporation should stay within the objects clause, or it will be considered ultra vires. The Doctrine of Ultra Vires protects the money of investors and shareholders by preventing the corporation to put money on something that is not found in the company's object clause (Dignam, Goo and Hicks 172).

In this case, Oya is the President of Paka Corp. to enter into binding agreements on behalf of Paka. However, the agreements must be related to the daily business operations. They should fall within the object clause of Paka Corp. An officer of the corporation does not have the capacity to bind the corporation in anything outside the normal business operations. It is a fact that a corporate officer lacks the capacity to bind the corporation in matters irrelevant to the business. Oya involved the company in a personal loan, which is irrelevant to the business. Paka Corp. is in the business of selling computer services and not in the business of consigning personal loans regardless of the person involved. The fact that Oya is the company President does not change the operating powers of the corporation as outlined in the objects clause. The action of Oya to consign the Paka Corp. for a loan is ultra vires, which makes the whole transaction void.

Problem Two: Rights of Shareholders

A shareholder owns share(s) in a corporation. Shareholders are entitled to a given number of benefits. Every state has business laws that govern the <https://assignbuster.com/business-regulations-and-practices-essay-samples/>

relationship between shareholders and the corporation (Bruno and Ruggiero 10). In general, shareholders enjoy several rights that are not influenced by the corporation bylaws or charter. Lucia is entitled to all the general rights of shareholders.

In most corporations, a single vote is equivalent to one share unless specified otherwise in the corporation laws (Bruno and Ruggiero 13). Based on this fact, Lucia has a voting right in the company. The voting rights of a shareholder are not determined by the number of shares that he or she owns in the corporation. The number of shares also affects the voting power attached to each shareholder. Shareholders with many shares possess strong voting powers. Lucia has the right to attend shareholder meetings (Fernando 17). She is a part owner of the company.

The freedom to inspect corporate books is also general right that is granted to all shareholders. Lucia has the power to ask for the corporate book because she is a part owner. Lucia is entitled dividends after the close of every financial year. She is the part owner of the corporation, which means she is entitled to the share of profit that is equivalent to her stake in the corporation. The amount of shares does not affect the rights enjoyed by a shareholder. However, it limits the powers of a shareholder in terms of voting and influencing decisions in the corporation.

Works Cited

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