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UNIVERSITI SAINS MALAYSIA

1<sup>st</sup>. Semester Examination  
2004/2005 Academic Session

October 2004

**EUP 222/3 -**

Duration : 3 hours

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**Instructions to candidates:**

1. Ensure that this paper contains **SEVEN (7)** printed pages include appendices.
2. This paper contains **SEVEN (7)** questions. Answer **FIVE (5)** questions only. Marks will be given to the **FIRST FIVE (5)** questions put in order on the answer script and **NOT** the **BEST FIVE (5)**.
3. All questions carry the equal marks.
4. All questions **MUST BE** answered in Bahasa Malaysia.
5. Write answered question numbers on the cover sheet of the answer script.

## **PART A – BASICS OF LAW**

1. Encik Ragab, a structural engineer from Ragab Engineering Design Sdn. Bhd. involves in designing structural system for developers of big projects. One of the project that he is currently implementing is for a project developer which is Syarikat Pembinaan Sonesta (*Sonesta*). Designing works are done based on a contract which was signed between them. While Encik Ragab implements the designing works for floor system, Syarikat Pembinaan Sonesta suggests him to use a unique floor system using special fibre.

According to Syarikat Pembinaan Sonesta, that system is the idea or concept belongs to his company to be implemented for the project which under the designing phase. While negotiating with Syarikat Pembinaan Sonesta, Encik Ragab analyzes the idea or concept of that floor system. Then, he told the company that the floor system is already patented by an inventor, Cik Naniwa, a professional engineer.

Syarikat Pembinaan Sonesta was advised by Encik Ragab that Cik Naniwa has the legitimate patent for that unique floor system. Encik Ragab suggested to Syarikat Pembinaan Sonesta to negotiate with Cik Naniwa to enable this construction company to obtain licence to use Cik Naniwa's patent right. Then, Syarikat Pembinaan Sonesta made a negotiation with Cik Naniwa, but unfortunately the negotiation failed. Thereafter, Syarikat Pembinaan Sonesta appointed a patent lawyer, Encik Vartan to evaluate that patent because Syarikat Pembinaan Sonesta also has a similar idea or concept. There are some disputes regarding that patent and it was discovered that the idea or concept of Syarikat Pembinaan Sonesta has a number of improvements compared to the floor system which was patented by Cik Naniwa.

Perhaps, Syarikat Pembinaan Sonesta also wishes to patent the better floor system. Based on this situation, Syarikat Pembinaan Sonesta told Encik Ragab that his company wants Encik Ragab to quantify the floor system to the design of that project structure and determine the costs involve. Encik Ragab is in dilemma because of the floor system disputes. Syarikat Pembinaan Sonesta also told Encik Ragab that he was supposed to disclose this matter in advance in the contract. Changes should be made but there are many questions that need to be solved by him.

Syarikat Pembinaan Sonesta is also a contractor for bowling lane installation, has a contract to install special lanes from wood for bowling game owned by Syarikat Citadel for Citadel Mall of that company. Syarikat Pembinaan Sonesta keeps the high quality woods for the bowling lane installation works at the Citadel Mall which is under construction (but not fully completed) by another contractor, Syarikat Pembinaan Maadi. There is flood which damages the wood belongs to Syarikat Pembinaan Sonesta.

In another development, Encik Suez from Geology Department and a few members visited the Citadel Mall construction site where Syarikat Pembinaan Maadi was performing the contract works to build a tunnel at the Citadel Mall. The purpose of Encik Suez and his team's visit was to test the rock and to perform the geological test. The employees of Syarikat Pembinaan Maadi directed Encik Suez and his team to the construction area of the tunnel. While in the tunnel, suddenly, a machine equipment belongs to Syarikat Pembinaan Maadi was activated by someone with out any early notice. Encik Suez and his team were in shock and in their attempt to escape from that place, Encik Suez's feet were injured because an object was fallen down in the tunnel that caused by vibrations of the machine equipment which was activated.

Based on the given scenario and from the legal perspective, answer the questions below with reasons and rationale to all questions:

- (a) How the patent management of the floor system should be handled by:
  - i. Encik Ragab?
  - ii. Syarikat Pembinaan Sonesta?
- (b) What are the rights of Cik Naniwa as the patent owner of that floor system?
- (c) Can Encik Ragab and Syarikat Pembinaan Sonesta trust the valuation made by Encik Vartan, a patent lawyer regarding the patent system of that particular floor?
- (d) Does Encik Ragab need to proceed and implement the request of Syarikat Pembinaan Sonesta to quantify the system and design of the floor structure based on its proposal for the project although there are disputes regarding the patent and the matter is not mentioned in the original contract?
- (e) In the case of bowling lane installation, who should be responsible towards the damages of the high quality woods owned by Syarikat Pembinaan Sonesta? Give your justifications based on the case and facts.
- (f) In the case of the tunnel visit by the Geology Department, who should be responsible towards the injury experienced by Encik Suez? Give your justifications based on the case and facts.

**PART B – FINANCIAL ACCOUNTING**

2. Assume that you are required to evaluate the performance of an engineering company based on year 2002 and 2003 before you make any decision to invest in that particular company. There are several pieces of information that need to be determined and the related financial statements are as follows:

	<b>Year 2002 (RM '000)</b>	<b>Year 2003 (RM '000)</b>
<b>INCOME STATEMENT</b>		
Revenue	<b>k</b>	15 487
Operational costs	11 026	<b>a</b>
Other costs	<u>1 230</u>	<u>1 169</u>
Income before income taxes	920	1 496
Income tax (35% in 2002)	<u><b>l</b></u>	<u>100</u>
Net income	<b>RM m</b>	<b>RM b</b>
<b>STATEMENT OF RETAINED EARNINGS</b>		
Beginning balance	<b>n</b>	2 702
Net earnings	<b>o</b>	<b>c</b>
Dividends	<u>(65)</u>	<u>(55)</u>
Ending balance	<b>RM p</b>	<b>RM d</b>
<b>BALANCE SHEET</b>		
<i>Assets:</i> Cash	<b>q</b>	<b>e</b>
Plant and equipment	1 597	1 750
Other assets	<b>r</b>	<u>10 190</u>
Total assets	<b>RM s</b>	<b>RM 13 026</b>
<i>Liabilities:</i> Current liabilities	<b>t</b>	5 403
Notes payable & long-term debt	2 569	3 138
Other liabilities	<u>69</u>	<u>72</u>
Total liabilities	8 344	<b>f</b>
<i>Owners' Equity:</i> Ordinary shared	117	118
Retained earnings	<b>u</b>	<b>g</b>
Other equities	<u>179</u>	<u>252</u>
Total owners' equity	<b>v</b>	<u>4 413</u>
Total liabilities and owners' equity	<b>RM w</b>	<b>RM h</b>
<b>PENYATA ALIRAN TUNAI</b>		
Net cash provided by operating activities	<b>x</b>	475
Net cash provided by investing activities	58	574
Net cash used by financing activities	<u>(709)</u>	<u>(1 045)</u>
Increase (decrease) in cash	335	<b>i</b>
Cash at beginning of year	<u><b>y</b></u>	<u>1 082</u>
Cash at end of year	<b>RM z</b>	<b>RM j</b>

Based on the financial statements above, answer all the questions below. Other than question a), you are required to explain and provide facts for each answer.

- (a) Determine the amounts which are stated in small alphabets. (NOTE: THIS QUESTION MUST BE ANSWERED ON THE LAST SHEET OF THIS QUESTION BOOK, SEPARATE THAT SHEET TO BE SUBMITTED TOGETHER THE ANSWER BOOK)
- (b) Did operations of this company improve or deteriorate during 2002?
- (c) What was the company doing with most of its income – retaining it for use in the business or using it for dividends?
- (d) What can you conclude regarding the standing of company's assets for these two years?
- (e) At the end of 2002, how much did the company owe outsiders? How was the situation in 2003? Was this trend good or bad in comparison to the trend in assets?
- (f) What are the company's major sources of cash? Is the cash increasing or decreasing? What is your opinion of the company's ability to generate cash?