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Department of commerce with professional accounting

21UCP552 – CORPORATE LAW

Unit 3

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Management and Control of Companies

Corporate Law – Lecture Series

Welcome to today's session on the legal framework that governs how companies are managed, controlled, and held accountable. This lecture explores the foundational principles of corporate law – from the duties of directors to shareholder rights – equipping you with the knowledge to navigate real-world business governance with confidence.

ENTREPRENEURSHIP & PROJECT MANAGEMENT

UNDERGRADUATE LEVEL



Topics We'll Cover Today

This session is structured to build your understanding of corporate law progressively – from foundational concepts to real-world application. Each topic is paired with interactive activities to deepen engagement.

1

Corporate Structure & Governance

Types of companies, articles of incorporation, bylaws, and the separation of ownership from control.

2

Directors' Duties & Liabilities

Fiduciary duties, duty of care, duty of loyalty, and consequences of breach.

3

Shareholder Rights & Meetings

Voting rights, annual general meetings, minority shareholder protections, and derivative actions.

4

Regulatory Compliance & Corporate Accountability

Securities law, disclosure obligations, anti-corruption frameworks, and ESG compliance.



Each topic includes a classroom activity, case study, and take-home assignment. Come prepared to think, discuss, and engage!



Corporate Law – Core Content

Corporate Structure & Governance

- Legal personality: companies as separate legal entities distinct from their owners
- Private vs. public companies: key structural and regulatory differences
- Articles of Incorporation and Bylaws: constitutional documents of a corporation
- Board of Directors: composition, roles, and decision-making authority
- Separation of ownership (shareholders) and control (management)
- Corporate veil: when courts may "pierce" it to hold directors personally liable

Directors' Duties & Liabilities

- Duty of Care: acting with the diligence a reasonably prudent person would exercise
- Duty of Loyalty: placing the company's interests above personal gain
- Business Judgment Rule: legal protection for informed, good-faith decisions
- Conflict of interest: disclosure requirements and recusal obligations
- Consequences of breach: civil liability, disqualification, and criminal sanctions

Shareholder Rights & Meetings

- Classes of shares: common vs. preferred stock and associated rights
- Voting rights: ordinary resolutions vs. special resolutions
- Annual General Meetings (AGMs): legal requirements and procedures
- Minority shareholder protections: oppression remedies and appraisal rights
- Derivative actions: shareholders suing on behalf of the company

Regulatory Compliance & Accountability

- Securities law: disclosure, insider trading prohibitions, and prospectus requirements
- Sarbanes-Oxley Act (SOX): corporate accountability post-Enron scandal
- Anti-corruption: FCPA, UK Bribery Act, and compliance programs
- ESG obligations: environmental, social, and governance reporting trends
- Role of auditors, regulators (SEC, FCA), and whistleblower protections

Classroom Interaction & Engagement Activities

Learning corporate law means more than memorizing statutes — it means thinking like a decision-maker. Each activity below is designed to spark debate, surface assumptions, and connect theory to practice.



1. Quick Poll (3 min)

"Should directors be personally liable when a company fails?" Vote yes or no — then discuss the results as a class. Reveals assumptions about risk, accountability, and corporate governance.



3. Word Cloud Activity (3 min)

Submit one word you associate with "corporate accountability." The live word cloud reveals collective understanding and surfaces key themes before diving deeper into compliance frameworks.



2. Think-Pair-Share (3 min)

Scenario: A director approves a risky acquisition that fails. Did they breach their duty of care? Think individually, discuss with a partner, then share with the class. Builds critical legal reasoning.



4. Reflection (2 min)

Write one thing you learned today and one question you still have. Pair with a classmate to discuss. Strengthens retention and identifies gaps for follow-up.



Group Activity – Outcome: In teams of 4, review the Enron case summary provided. Identify: (1) which directors' duties were breached, (2) what shareholder rights were violated, and (3) what compliance failures occurred. Present a 2-minute summary to the class with specific legal terms applied.

Interactive Case Studies

Case 1: Enron Corporation (2001)

Executives concealed debt through special purpose entities, misleading shareholders and regulators.

Discussion: Which fiduciary duties did the board breach? Could the Business Judgment Rule protect them? What role did auditors play? How did this lead to SOX legislation?

Case 2: Salomon v. Salomon & Co. (1896)

Landmark UK case establishing corporate legal personality. Mr. Salomon was not personally liable for company debts. **Discussion:** When should the corporate veil be lifted? What limits should exist on limited liability? How does this principle affect startup founders today?

Case 3: Tesla's Board Independence (2022)

Shareholders challenged Elon Musk's compensation package, citing lack of board independence. **Discussion:** What does true board independence mean? How can dominant founders undermine minority shareholder rights? What governance reforms would you recommend?

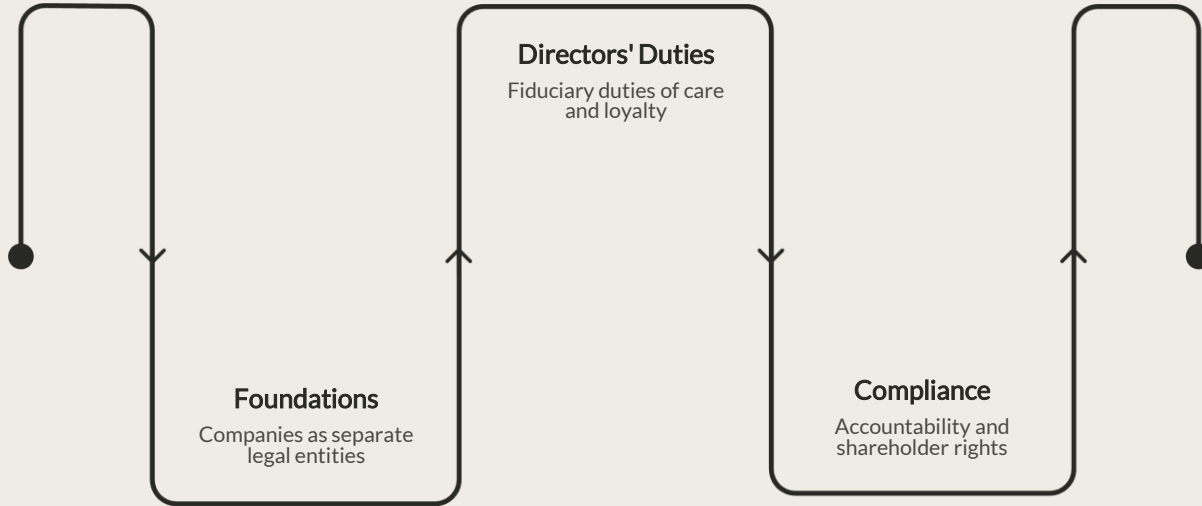
Summary, Assignments & Final Q&A

🎯 Key Learning Points

- Companies are separate legal entities — protecting but not absolving directors
- Directors owe fiduciary duties of care and loyalty to the company and its shareholders
- Shareholders hold real power through voting rights, AGMs, and legal remedies
- Compliance frameworks (SOX, ESG, anti-corruption) are not optional — they are strategic
- Corporate failures are almost always governance failures first

📄 Take-Home Assignment

- **Task 1:** Research a real corporate scandal from the last 10 years. Identify which corporate law principles were violated and what reforms followed. (500 words)
- **Task 2:** Draft a one-page "Director's Code of Conduct" for a hypothetical startup, incorporating duty of care, duty of loyalty, and conflict-of-interest policies.
- **Due:** Next class session. Be prepared to present your scandal case in 2 minutes.



Today's session has given you the essential legal vocabulary and frameworks to evaluate how companies are governed. As future entrepreneurs and project managers, understanding corporate law isn't just academic — it determines how you structure your ventures, protect investors, and build organizations that last.

📄 **Final Q&A:** What's one corporate law principle you'll apply immediately? What remains unclear? Let's open the floor — no question is too basic. Your questions help everyone.