

Fundamentals Level – Skills Module

Corporate and Business Law (English)

Tuesday 3 June 2008

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F4 (ENG)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the English legal system explain the following sources of law:**
- (a) Common law; (6 marks)
 - (b) Legislation. (4 marks)
- (10 marks)**
- 2 In relation to contract law explain the meaning and effect of:**
- (a) an offer; (4 marks)
 - (b) an invitation to treat. (6 marks)
- (10 marks)**
- 3 In relation to the tort of negligence explain the standard of care owed by one person to another.**
- (10 marks)**
- 4 In the context of company law explain:**
- (a) the doctrine of separate personality and its consequences; (6 marks)
 - (b) the circumstances under which separate personality will be ignored. (4 marks)
- (10 marks)**
- 5 In relation to company law explain the meaning of the following:**
- (a) ordinary shares. (3 marks)
 - (b) preference shares. (3 marks)
 - (c) debentures. (4 marks)
- (10 marks)**
- 6 In relation to company law distinguish between:**
- (a) executive directors; (4 marks)
 - (b) non-executive directors; (3 marks)
 - (c) shadow directors. (3 marks)
- (10 marks)**

7 In relation to employment law:

(a) Explain why it is important to distinguish between contracts of service and contracts for services. (4 marks)

(b) State how the courts decide whether someone is an employee or is self-employed. (6 marks)

(10 marks)

8 Astride entered into a contract with Bild Ltd to construct a wall around the garden of a house she had just purchased. The wall was to be three metres high to block out a view of a rubbish tip. The wall was due to be finished in May and Astride entered into another contract with Chris to landscape the garden starting on 1 June.

Bild Ltd finished the wall on 25 May. However when Astride came to examine it for the first time she found that it was only 2.50 metres high and that the rubbish tip was still visible from the top of her garden.

On 1 June, Chris informed Astride that he was too busy to landscape her garden and that she would have to get someone else to do it. The only person available, however, will charge Astride £500 more than Chris had agreed for doing the work.

Required:

Analyse the scenario from the perspective of the law of contract, advising Astride:

(a) Whether she can require Bild Ltd to reconstruct the garden wall in order to make it the agreed height, and if not, what alternative action is available to her. (5 marks)

(b) Whether she can require Chris to undertake the work on the garden, and if not, what alternative action is available to her. (5 marks)

(10 marks)

9 Clare, Dan and Eve formed a partnership 10 years ago, although Clare was a sleeping partner and never had anything to do with running the business. Last year Dan retired from the partnership. Eve has subsequently entered into two large contracts. The first one was with a longstanding customer Greg, who had dealt with the partnership for some five years. The second contract was with a new customer Hugh. Both believed that Dan was still a partner in the business. Both contracts have gone badly wrong leaving the partnership owing £50,000 to both Greg and Hugh. Unfortunately the business assets will only cover the first £50,000 of the debt.

Required:

Explain the potential liabilities of Clare, Dan, and Eve for the partnership debts.

(10 marks)

10 Sid is a director of two listed public companies in which he has substantial shareholdings: Trend plc and Umber plc.

The annual reports of both Trend plc and Umber plc have just been drawn up although not yet disclosed. They show that Trend plc has made a surprisingly big loss and that Umber plc has made an equally surprising big profit. On the basis of this information Sid sold his shares in Trend plc and bought shares in Umber plc. He also advised his brother to buy shares in Umber plc.

Vic who is also a shareholder in both companies sold a significant number of shares in Umber plc only the day before its annual report was published.

Required:

(a) Analyse the above scenario from the perspective of the law relating to insider dealing; (8 marks)

(b) In particular advise Vic as to his position. (2 marks)

(10 marks)

End of Question Paper