

Fundamentals Level – Skills Module

Corporate and Business Law (English)

Tuesday 8 June 2010

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 rectangular background.

ALL TEN questions are compulsory and MUST be attempted

1 Describe the structure and functions of the main civil courts in the English legal system, including the Supreme Court.

(10 marks)

2 In relation to the law of contract:

(a) define an offer;

(5 marks)

(b) explain the specific meaning and effect of

(i) a counter-offer;

(3 marks)

(ii) a unilateral offer.

(2 marks)

(10 marks)

3 In relation to the tort of negligence, explain the meaning of 'duty of care'.

(10 marks)

4 Explain the documents necessary, and the procedure to be followed, in registering a public limited company under the provisions of the Companies Act 2006.

(10 marks)

5 Explain the meaning of the following terms in company law:

(a) a debenture;

(3 marks)

(b) a fixed charge;

(3 marks)

(c) a floating charge.

(4 marks)

(10 marks)

6 In the context of corporate governance, explain the rules relating to the appointment, duties and powers of a company secretary in a public limited company.

(10 marks)

7 In the context of employment law, state how the courts decide whether someone is self-employed or is an employee.

(10 marks)

- 8** In January 2010 Ami took over an old warehouse with the intention of opening an art gallery. As the warehouse had to be converted, Ami entered into two contracts, one with Bry to do all the necessary plastering and one with Cis, who was to do all the necessary painting. Both Bry and Cis were to be paid £5,000. Both received initial payments of £1,000 and agreed to have the work completed on 31 March, as the art gallery had to be ready for its first exhibition on 1 May.

At the end of February, Bry told Ami that he would not complete the plastering in time unless she agreed to increase his payment by a further £1,000. Ami agreed to pay the increased sum in order to ensure that the job was done on time. She then thought it was only fair that she should increase the amount of money promised to Cis by the same amount.

However, on completion of the work on time Ami refused to make either of the additional payments to Bry or Cis, beyond the original contractual price.

Required:

Advise Bry and Cis whether they have any rights in law to enforce Ami's promise to pay them an extra £1,000.

(10 marks)

- 9** Chi, Di and Fi formed an ordinary partnership to run an art gallery. Each of them paid £100,000 into the business. As Fi had no prospect of raising any more money it was agreed between them that her maximum liability for any partnership debts would be fixed at her original contribution of £100,000. The partnership agreement specifically restricted the scope of the partnership business to the sale of 'paintings, sculptures and other works of art.' In January 2010 Chi took £10,000 from the partnership's bank drawn on its overdraft facility. She had told the bank that the money was to finance a short-term partnership debt but in fact she used the money to pay for a holiday. In February Di entered into a £25,000 contract on behalf of the partnership to buy some books, which she hoped to sell in the gallery.

Required:

Advise Chi, Di and Fi as to their various rights and liabilities in relation to the operation of the business under partnership law.

(10 marks)

10 Gilt Ltd is a small company with an issued share capital of 100,000 £1 shares held by 100 members.

Harry, the managing director of Gilt Ltd, has been approached by Itt plc in respect of its making a takeover bid for Gilt Ltd. Itt plc has given Harry what is described as a facility fee of £50,000 for ensuring that the takeover is successful.

At the next board meeting Harry convinces the other directors that the take-over bid is in the long-term interest of Gilt Ltd, but they are concerned that the holders of the majority of the issued share capital will not approve of the takeover.

In order to ensure the success of the takeover, the directors of Gilt Ltd agree that they should allot sufficient new shares to Itt plc to ensure that a new majority of members will support the takeover.

After the allocation of the shares to Itt plc a general meeting is called to consider the takeover and it is approved, with Itt plc voting in favour.

May, a substantial shareholder in Gilt Ltd has subsequently found out about the actions of Itt plc, Harry and the other directors.

Required:

Advise May as to the legality of the share allotment and as to what action can be taken against Harry.

(10 marks)

End of Question Paper