

Fundamentals Level – Skills Module

# Corporate and Business Law (English)

Tuesday 2 December 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 rectangular background.

**ALL TEN questions are compulsory and MUST be attempted**

- 1** In relation to the English legal system, explain the main sources of contemporary law. **(10 marks)**
- 2** In relation to the law of contract, explain what is meant by breach of contract, paying attention to anticipatory breach. **(10 marks)**
- 3** In relation to defences in the tort of negligence, explain the meaning of:
- (a) contributory negligence; (5 marks)
  - (b) *volenti non fit injuria* (consent). (5 marks)
- (10 marks)**
- 4** In relation to a company's shares, explain the following:
- (a) the statement of capital and initial shareholdings; (4 marks)
  - (b) authorised minimum issued capital in a public company; (2 marks)
  - (c) paid-up capital; (2 marks)
  - (d) the difference between nominal value and market value. (2 marks)
- (10 marks)**
- 5** In relation to private companies, explain the meaning of, and the procedure for passing, the following:
- (a) an ordinary and a special resolution; (5 marks)
  - (b) a written resolution. (5 marks)
- (10 marks)**
- 6** In relation to the Companies Act, 2006, explain the duty of directors to promote the success of the company, and to whom such a duty is owed. **(10 marks)**
- 7** In relation to employment law, explain:
- (a) the grounds upon which dismissal may be fair; (5 marks)
  - (b) the meaning and effect of constructive dismissal. (5 marks)
- (10 marks)**

- 8** Alvin runs a business selling expensive cars. Last Monday he mistakenly placed a notice on one car indicating that it was for sale for £5,000 when in fact its real price was £25,000. Bert later noticed the sign and, recognising what a bargain it was, immediately indicated to Alvin that he accepted the offer and would take the car for the indicated amount. Alvin, however, told Bert that there had been a mistake and that the true price of the car was £25,000. Bert insisted that he was entitled to get the car at the lower price, and when Alvin would not give it to him at that price Bert said that he would sue Alvin.

After Bert had left, Alvin changed the price on the car to £25,000 and subsequently Cat came in and said she would like to buy the car, but that she would have to arrange finance.

On Tuesday Del came by and offered Alvin the full £25,000 cash there and then and Alvin sold it to him.

**Required:**

**Advise Alvin, Bert, Cat and Del as to their rights and liabilities in the law of contract.**

**(10 marks)**

- 9** Fred is a member of Glad Ltd, a small publishing company, holding 100 of its 500 shares; the other 400 shares are held by four other members.

It has recently become apparent that Fred has set up a rival business to Glad Ltd and the other members have decided that he should be expelled from the company.

To that end they propose to alter the articles of association to include a new power to 'require any member to transfer their shares for fair value to the other members upon the passing of a resolution so to do'.

**Required:**

**Advise the parties concerned whether or not the proposed change to the articles is legally enforceable and whether or not it can be used to force Fred to sell his shares.**

**(10 marks)**

- 10** Ham, Sam and Tam formed a partnership to run a petrol station. The partnership agreement expressly stated that the partnership business was to be limited exclusively to the sale of petrol.

In January 2008 Sam received £10,000 from the partnership's bank drawn on its overdraft facility. He told the bank that the money was to finance a short-term partnership debt but in fact he used the money to pay for a round the world cruise. In February Tam entered into a £15,000 contract on behalf of the partnership to buy some used cars, which he hoped to sell from the garage forecourt. In March the partnership's bank refused to honour its cheque for the payment of its monthly petrol account, on the basis that there were no funds in its account and it had reached its overdraft facility.

**Required:**

**Advise Ham, Sam and Tam as to their various rights and liabilities in relation to partnership law.**

**(10 marks)**

**End of Question Paper**