

Fundamentals Level – Skills Module

# Corporate and Business Law (English)

Monday 10 December 2012



**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, consisting 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 main sources of law. (10 marks)**
- 2 In the context of the award of damages for breach of contract describe the rules relating to:**
- (a) remoteness of damage; (5 marks)**
  - (b) the measure of damages. (5 marks)**
- (10 marks)**
- 3 In the context of the law of torts explain:**
- (a) the general meaning of tort; (2 marks)**
  - (b) the specific meaning of the torts of:**
    - (i) negligence; (4 marks)**
    - (ii) passing off. (4 marks)**
- (10 marks)**
- 4 In the context of a company's formation and constitution, explain the nature and purpose of the following documents:**
- (a) the memorandum of association; (2 marks)**
  - (b) the application for registration; (4 marks)**
  - (c) the articles of association. (4 marks)**
- (10 marks)**
- 5 In relation to company law explain:**
- (a) the doctrine of capital maintenance; (4 marks)**
  - (b) the circumstances under which both a private and a public limited company can reduce its capital, and the procedures through which this can be done. (6 marks)**
- (10 marks)**
- 6 In the context of companies in financial difficulty, explain the meaning, effect and rules relating to the operation of administration as an alternative to winding up. (10 marks)**

**7 In relation to employment law and the dismissal of employees explain:**

**(a) the grounds upon which dismissal may be fair;** (5 marks)

**(b) the grounds upon which dismissal will be automatically unfair.** (5 marks)

**(10 marks)**

**8** Ali is a dealer in Persian rugs. As his business has been rather slow, he placed an advertisement in the Saturday edition of his local paper stating:

‘Once in a lifetime opportunity to own a handmade Persian antique rug for only £1,500 – cash only. This is a serious offer – the rug will go to the first person who accepts it – offer valid for one day only – today Saturday.’

When Bud saw the advert, he immediately posted a letter of acceptance of Ali’s offer in order to make sure he got the rug.

Cil also saw the advert and after inspecting the rug offered Ali a cheque for £1,500, but he refused to accept the cheque and told her she could not have the rug.

Later in the day, Das asked Ali if he would keep the offer open until he could get to his bank to arrange a loan. Ali agreed, but subsequently, when Ed offered to pay £2,000 in cash for the rug, Ali sold the rug to him.

On Monday morning Bud’s letter arrived, and Das returned to complete his purchase of the rug.

**Required:**

**In the context of the rules governing the creation of contracts, advise:**

**(a) as to the precise legal nature of Ali’s advertisement;** (4 marks)

**(b) whether Bud has entered into a binding contract with Ali;** (2 marks)

**(c) whether Cil has any right of action against Ali;** (2 marks)

**(d) whether Das has any right of action against Ali.** (2 marks)

**(10 marks)**

**9** In 2010 Fay, Gus and Het formed a private limited company, FGH Ltd, to carry out technological research. They each took 100 shares in the company and each of them became a director in the company.

In January 2012 Fay admitted that she had been working with a much larger rival company, Ix plc, and that she had passed on some of FGH Ltd’s research results to Ix plc in return for substantial payment.

Fay maintains that she has done no harm, as FGH Ltd was not capable of using the information. Nonetheless, Gus and Het are extremely angered by Fay’s actions.

**Required:**

**Advise Gus and Het as to any grounds, and the procedure, for taking action against Fay and the nature of any remedies that may be available in the light of her conduct.**

Note: any possible action against Ix plc under the Bribery Act 2010 may be ignored for the purposes of this question.

**(10 marks)**

**10** Jaz plc is listed on the London Stock Exchange. Kip works for Jaz plc as an accountant. Whilst drawing up the annual accounts, Kip noticed that Jaz plc's profits were better than anyone could have expected. As a consequence of this knowledge, he bought shares in Jaz plc before its good results were announced. He made a substantial profit on the share dealing. Kip also told his friend Lu about the results before they were announced. Lu also bought shares in Jaz plc.

**Required:**

**In the context of the criminal law relating to insider dealing, analyse the actions and potential liability of Kip and Lu.**

**(10 marks)**

**End of Question Paper**