

Fundamentals Level – Skills Module

# Corporate and Business Law (Cyprus)

Tuesday 4 December 2007

**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

The Institute of Certified Public Accountants of Cyprus



# Paper F4 (CYP)

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

- 1 With respect to the legal system of Cyprus, explain the meaning and application of the following:**
- (a) the doctrine of necessity; and (6 marks)
  - (b) the doctrine of precedent. (4 marks)
- (10 marks)**
- 2 With respect to the Contract Law, explain and distinguish between the following:**
- (a) terms and representations; and (4 marks)
  - (b) conditions, warranties and innominate terms. (6 marks)
- (10 marks)**
- 3 In relation to agency law, describe the various duties placed on each of the parties to an agency agreement.**
- (10 marks)**
- 4 In the context of Articles of Association, in terms of Table A of the Companies Law, explain the rules governing the distribution of dividends in private companies.**
- (10 marks)**
- 5 In the context of the Companies Law, explain the duties and extent of liability of company directors.**
- (10 marks)**
- 6 In the context of the Companies Law, explain and distinguish the circumstances under which a company may enter:**
- (a) voluntary liquidation; and (5 marks)
  - (b) compulsory liquidation. (5 marks)
- (10 marks)**
- 7 Describe the procedures prescribed by Cyprus legislation which are designed to prevent money laundering in relation to consultancy or accounting services.**
- (10 marks)**

- 8** Jim is a building contractor. Bob is a builder who works for Jim under a contract of service. Bob is currently engaged in the building works of a multi-storey building, which Jim undertook to erect. Dave is a truck-driver who agreed to provide services to Jim for this particular construction work. Although it is Jim's responsibility to instruct Dave as to what work needs to be done, Dave is responsible for providing his own machinery and his own assistants.
- (a)** While Bob was working on the multi-storey building, the scaffolding on which he was standing collapsed and Bob fell on the ground. Bob was not wearing the protective helmet, which had been provided by Jim to all the builders. Bob suffered a serious head injury.
- (b)** While Dave was working at the building site, he negligently left one of his trucks switched on and unattended. The truck rolled away from the building site and smashed into Alice's house, which was right across the street. Alice's house suffered extensive damage.

**Required:**

**Advise Jim as to his legal liability in respect of (a) and (b) above.**

**(10 marks)**

- 9** DTP Ltd is a public company limited by shares with issued share capital CY£1,000,000 divided into 1,000,000 shares of CY£1 each. Eric, Fred and George are the major shareholders of DTP Ltd, with each one holding 250,000 shares. Dorothy and Cindy are partners in an auditors' firm, called DC & Co. DC & Co have been appointed auditors of DTP Ltd by the board of directors before the first annual general meeting of DTP Ltd. Eric wishes to remove DC & Co from office and appoint different auditors. Fred agrees that DC & Co should be replaced, but George does not. Cindy has recently married the managing director of DTP Ltd.

**Required:**

**Advise Eric as to the steps he needs to take to achieve the removal of DC & Co as auditors of DTP Ltd.**

**(10 marks)**

- 10** ABC WIRELESS Ltd is a private company limited by shares which was registered in August 2006 with authorised share capital CY£1.000. A&B CABLE Ltd is subsidiary to ABC WIRELESS Ltd. Paul, Mary and Tim are the directors of ABC WIRELESS Ltd, and ABC WIRELESS Ltd is the director of A&B CABLE Ltd. In February 2007, when the issued share capital of ABC WIRELESS Ltd was CY£800, the directors decided to raise money in order to finance the activities of ABC WIRELESS Ltd. Paul suggested that the company should issue shares at a discount, in order to attract existing shareholders to subscribe for new shares. Mary suggested that ABC WIRELESS Ltd should make a loan from its subsidiary, A&B CABLE Ltd, in which case a fixed charge could be created on the book debts of ABC WIRELESS Ltd.

**Required:**

**Advise Tim as to the feasibility and procedure required to implement each of the suggestions of Paul and Mary respectively.**

**(10 marks)**

**End of Question Paper**