

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

Tuesday 4 December 2007

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

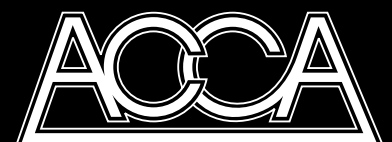
ALL TEN questions are compulsory and MUST be attempted.

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



Paper F4 (GLO)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to legal systems distinguish between the following:**
- (a) Criminal law; (3 marks)
 - (b) Civil law; (3 marks)
 - (c) Arbitration. (4 marks)
- (10 marks)**
- 2 Explain the seller's obligations in respect of requirements as to the quality of goods supplied, under Article 35 of the UN Convention on Contracts for the International Sale of Goods.**
- (10 marks)**
- 3 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain the meaning of, and rules relating to, damages for breach of contract.**
- (10 marks)**
- 4 In relation to a company's memorandum of association, explain the following:**
- (a) the registered office clause; (3 marks)
 - (b) the capital clause; (3 marks)
 - (c) the name clause. (4 marks)
- (10 marks)**
- 5 In relation to the rules governing the payment of company dividends explain:**
- (a) how dividends may be properly funded; (4 marks)
 - (b) the rules which apply to public limited companies; (3 marks)
 - (c) the consequences of any dividend being paid in breach of those rules. (3 marks)
- (10 marks)**
- 6 In the context of the UN Convention on International Bills of Exchange and International Promissory Notes:**
- (a) Define an international bill of exchange. (4 marks)
 - (b) Explain the different roles of the following parties:
 - (i) the drawer;
 - (ii) the drawee;
 - (iii) the payee. (6 marks)
- (10 marks)**

- 7 In the context of corporate governance explain the role of the external company auditors, paying particular regard to the following issues:**
- (a) their qualifications;**
 - (b) their powers;**
 - (c) their duties.**

(10 marks)

- 8** Ax, a Swedish manufacturer, contacted Bo, a German manufacturer, to enquire about Bo making special screws of a particularly high quality.

Bo provided by return a list of prices and delivery periods.

Ax then ordered 3,000 screws and also 3,000 specialised nuts and bolts, not mentioned before.

Bo requested payment in advance or a letter of credit. Ax, in turn, asked for a pro-forma invoice.

When Bo sent the invoice it listed screws of a lower quality than the original specification with their respective prices.

Ax objected immediately and demanded delivery of the articles in the 'ordered' quality. Bo agreed to delivery of higher-quality articles but insisted on a higher price than on the invoice. Ax insisted on delivery of the higher-quality items but for the price listed in the invoice.

Required:

Advise the parties whether or not they have entered into a binding contractual agreement on the basis of the UN Convention on Contracts for the International Sale of Goods.

(10 marks)

- 9** Earl has been employed by Flash Co, for the past 20 years. During that time he has also invested in the company in the form of shares and debentures. Earl owns 5,000 ordinary shares in Flash Co. The shares are of \$1 nominal value and are paid up to the extent of 75%. The debentures, to the value of \$5,000, are secured by a fixed charge against the land on which Flash Co's factory is built.

In April it was announced that Flash Co was going into immediate insolvent liquidation, owing considerable amounts of money to trade creditors (trade payables). As a result of the suddenness of the decision to liquidate the company, none of the employees received their last month's wages. In Earl's case this amounted to \$2,000.

Required:

Advise Earl as to his rights and liabilities in relation to Flash Co in regard to:

- (a) his unpaid wages;** (3 marks)
- (b) his shareholding;** (3 marks)
- (c) his debentures.** (4 marks)

(10 marks)

10 Katch Co is a small private limited company. Although there are three members of its board of directors, the actual day-to-day running of the business is left to one of them, Len, who simply reports back to the board on the business he has transacted. Len refers to himself as the managing director of Katch Co, although he has never been officially appointed as such.

Six months ago Len entered into a contract on Katch Co's behalf with Mo to produce some advertising material for the company. However Katch Co did not wish to proceed with the advertising campaign and the board of directors have refused to pay Mo, claiming that Len did not have the necessary authority to enter into the contract with him.

Required:

Analyse the situation with regard to the authority of Len to make contracts on behalf of Katch Co and in particular advise whether or not Katch Co is liable to Mo.

(10 marks)

End of Question Paper