

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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.

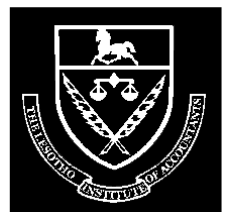
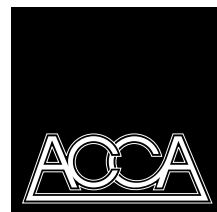
During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

The Lesotho Institute of Accountants

Paper F4 (LSO)



ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system, explain the significance of the Southern African Customs Union for business in Lesotho.**
- (10 marks)**
- 2 In relation to the law of contract, state and explain the rules regarding:**
- (a) acceptance; and (5 marks)
- (b) revocation of an offer. (5 marks)
- (10 marks)**
- 3 In relation to the contract of employment, explain the grounds upon which dismissal of an employee may be regarded as fair.**
- (10 marks)**
- 4 In relation to partnership:**
- (a) state the advantages of the registration of a partnership in terms of the Partnership Proclamation, 1957; (5 marks)
- (b) explain when a partnership can be dissolved by the operation of law. (5 marks)
- (10 marks)**
- 5 In relation to company law:**
- (a) explain what is meant by the statement that in law a company is distinct from its shareholders; (5 marks)
- (b) state the exceptions to the principle that a company is distinct from its shareholders. (5 marks)
- (10 marks)**
- 6 In relation to company law, explain the clauses that are required to be contained in a company's memorandum of association.**
- (10 marks)**
- 7 In relation to company law:**
- (a) explain when the members may wind up their company voluntarily; and (5 marks)
- (b) state the legal consequences of voluntary winding-up. (5 marks)
- (10 marks)**

- 8 Tsogo Holdings operates a resort known as the Best Fun Resort in Maseru. The resort is very popular and on weekends more than 20,000 persons visit it. All entrances to the resort have security guards who have strict instructions to prevent people from entering the resort with anything that may endanger the security of other patrons. One Mike, a regular visitor, was asked if he had any such thing. He opened his jacket to show that he did not have any but did, in fact, have a small ejector knife in his trouser pocket. The security guards carried metal detectors and would have discovered it had they used it on Mike but they did not. Later, Mike had a quarrel with another resort visitor, Shan, outside the resort in its car park and, in the course of that quarrel, used the knife which seriously injured Shan.

Required:

Analyse the situation from the perspective of the law of delict and, in particular, advise Shan if he has a valid claim against Tsogo Holdings.

(10 marks)

- 9 Hypervama Holdings Ltd runs a food supermarket, called Hypervama Supermarket, in Maseru. It employed Mr Smith as a buying manager of Hypervama. He was specifically told at any time he wished to order goods exceeding R20,000, he must obtain a signed purchase order from the finance director of the company. The finance director is his immediate boss. While the finance director was away overseas and inaccessible, Mr Smith ordered butter worth R100,000 from the Butter Company, because the stock of butter was running low, New Year was approaching and he wanted to avoid the New Year rush. He thought it would certainly impress his boss.

The lorry carrying butter broke down on the way and by the time it was repaired, all the butter had melted. After the lorry was repaired, the boxes containing the butter were duly delivered to Hypervama. Mr Smith accepted the delivery and signed the delivery note without examining the contents of the boxes. However, when the boxes were opened, the butter was found to be unfit for human consumption and had to be thrown away.

When the finance director came to know that Mr Smith ordered the butter worth R100,000 without his prior authorisation, he refused to pay the Butter Company saying that Mr Smith should pay the amount out of his own pocket.

Required:

In the context of the law of agency, advise Hypervama and the Butter Company.

(10 marks)

10 In 2000, Alfred and two friends formed a bicycle manufacturing company called Bikes (Pty) Ltd. The main objects were stated to be:

- (1) To manufacture and retail bicycles;
- (2) To borrow money.
- (3) To support retired employees and their dependants financially.

At the end of the main objects clause, it was stated that all clauses are to be read independently of the others.

Initially, the company did well but as competition grew, it faced increasing difficulties to sell its bikes. It was decided to modify the factory and use it to manufacture paints and pigments. Initially, the manufacturing was to be done by another company and the paints and pigments, supplied in big vats, were to be packed by Bikes (Pty) Ltd in smaller tins for sale in the retail market. Bikes (Pty) Ltd did not alter its memorandum of association. Alfred then entered into the following contracts on behalf of the company as a managing director:

- (a) The purchase of paints and pigments in vats from Bright Chemicals;
- (b) The purchase of machinery to manufacture paints and pigments from Best Manufacturers;
- (c) A loan of R50,000 from New Bank Ltd to finance the new venture. This loan was paid into Bikes (Pty) Ltd's bank account which had a credit balance of R5,000;
- (d) A payment of R5,000 to Hope, the widow of the retired factory supervisor, who was in financial difficulties.

Required:

Discuss the validity of these contracts under company law.

(10 marks)

End of Question Paper