

Fundamentals Level – Skills Module

# Corporate and Business Law (Malaysia)

Tuesday 4 December 2007

**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

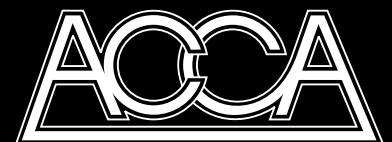
ALL TEN questions are compulsory and MUST be attempted.

**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 (MYS)

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

- 1 In relation to the Malaysian legal system:**
- (a) Define 'legislation' and 'delegated legislation'. (3 marks)
  - (b) Explain the advantages and disadvantages of delegated legislation. (7 marks)
- (10 marks)**
- 2 In relation to employment law:**
- (a) Distinguish between a 'lay-off' and a 'redundancy'. (3 marks)
  - (b) State, with reference to relevant legislation, the situations in which an employee may be said to have been:
    - (i) laid-off; and
    - (ii) made redundant. (7 marks)
- (10 marks)**
- 3 Explain the essential characteristics of a partnership as defined in the Partnership Act 1961.**
- (10 marks)**
- 4 In relation to company law:**
- (a) State the main differences between a non-exempt private limited company and an exempt private limited company. (6 marks)
  - (b) Define a wholly-owned subsidiary. (4 marks)
- (10 marks)**
- 5 In relation to the law of contract:**
- (a) Explain and distinguish between an offer (proposal) and an invitation to treat. (5 marks)
  - (b) Explain the ways in which an offer may be revoked as provided under the Contracts Act 1950. (5 marks)
- (10 marks)**
- 6**
- (a) Explain the procedure and the methods by which a company may reduce its capital. (5 marks)
  - (b) Explain the protection afforded to creditors who may be prejudiced by such reduction. (5 marks)
- (10 marks)**

- 7 The Malaysian Code on Corporate Governance recommended, among other things, the establishment of audit committees for public listed companies and these recommendations have been incorporated into the Bursa Malaysia Listing Requirements.

**Required:**

**State the composition of the audit committee and any FIVE of its functions.**

**(10 marks)**

- 8 (a) Two years ago, Ah Chong and his brother, Ah Kong, formed a company called Dynamic Duo Sdn Bhd, carrying on the business of manufacturing sports equipment. Both were equal shareholders as well as the directors of the company, with equal powers of management.

In June 2006 Ah Kong surrendered his shares and left the company following a quarrel with Ah Chong. Since then Ah Chong has been carrying on the business on his own with the help of three employees.

In October 2006 Ah Chong borrowed, in the name of the company, RM1 million from Bank Boleh Bhd, in order to expand the business of the company. However, the business took a turn for the worse, and in August 2007, the company borrowed a further RM1 million from Lenmore Bank.

Last month, the company was wound up as insolvent. Bank Boleh and Lenmore Bank wish to know whether Ah Chong could be held personally liable for the debts owed to them.

**Required:**

**Advise Bank Boleh and Lenmore Bank.**

(5 marks)

- (b) Jack and Jill are the directors of All-Bright Sdn Bhd, a company trading in lights and lighting equipment. In the last couple of years business has been bad and the company is hopelessly insolvent. Despite this situation, two months ago, Jack and Jill, in collaboration with Ben, the office manager, bought in the name of the company, RM1 million worth of lighting equipment on credit from Starlight Bhd, without disclosing the company's financial position. It was clear that there was no intention on the part of Jack, Jill and Ben to pay Starlight Bhd for the lighting equipment. The company is now in insolvent liquidation and the liquidator wishes to know whether Jack, Jill and Ben can be made personally liable for the debts and other liabilities of the company. He also wishes to know whether they could be prosecuted for any offence under the Companies Act 1965 in respect of the transaction with Starlight Bhd.

**Required:**

**Advise the liquidator.**

(5 marks)

**(10 marks)**

- 9 Jolly Trading Sdn Bhd, a subsidiary of Jolly Holdings Bhd has recently done the following, pursuant to a decision of its board of directors:
- (a) Purchased a motorcar, a three-year old Mercedes Benz, from one of its directors, Mercy, at a price of RM280,000 which reflects its market value. (5 marks)
  - (b) Appointed Samseng, aged 72, as an additional director. (5 marks)

**Required:**

**Advise the board of directors whether there has been any breach of the provisions of the Companies Act 1965 in respect of the above transactions, (a) and (b).**

Note: the mark allocation is shown against each transaction.

**(10 marks)**

- 10 Ali entered into the following contracts with Syarikat Buildwell & Co (Buildwell), a firm dealing in realty and construction:
- (a) A contract to purchase a piece of land from Buildwell at a price of RM10,000, a price very much below the market price. (5 marks)
  - (b) A contract for the lease of an office building at a price of RM1,500 per month, a price which reflects the current market rate. The term of the lease is stated as 'for as long as the lessee wishes'. (5 marks)

Buildwell now refuses to complete the contract for the sale of the land on the ground that the price is too low. Further it refuses to proceed with the grant of the lease claiming that the contract is not valid.

**Required:**

**Advise Ali on the legal position in respect of the aforementioned contracts, (a) and (b).**

Note: the mark allocation is shown against each contract.

**(10 marks)**

**End of Question Paper**