

Fundamentals Level – Skills Module

Corporate and Business Law (Scots)

Tuesday 4 December 2007

Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

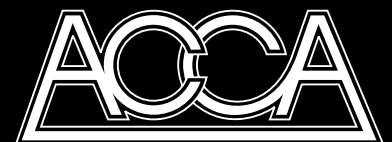
ALL TEN questions are compulsory and MUST be attempted.

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 (SCT)

ALL TEN questions are compulsory and MUST be attempted

- 1 (a) In relation to the Scottish legal system distinguish between the following:
- (i) Criminal law; (5 marks)
 - (ii) Civil law. (5 marks)
- (b) Explain the jurisdiction of the courts dealing with criminal and civil law. (5 marks)
- (10 marks)**
- 2 In relation to the law of contract explain the meaning and effect of:
- (a) third party rights; (6 marks)
 - (b) the intention to create legal relations. (4 marks)
- (10 marks)**
- 3 In relation to the law of delict explain the concept of 'remoteness of damage'.
- (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 relation to employment law explain:
- (a) the meaning of 'constructive dismissal'; (5 marks)
 - (b) the remedies available in relation to a successful claim for unfair dismissal. (5 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 Ali is an antique dealer and one Saturday in November 2007 he put a vase in the window of his shop with a sign which stated 'exceptional piece of 19th century pottery – on offer for £500'.

Ben happened to notice the vase as he walked past the shop and thought he would like to have it. Unfortunately, as he was late for an important meeting, he could not go into the shop to buy it, but as soon as his meeting was finished he wrote to Ali agreeing to buy the vase for the stated price of £500. The letter was posted at 11:30 am.

Later on the same day, Chet visited Ali's shop and said he would like the vase but was only willing to pay £400 for it. Ali replied that he would accept £450 for the vase, but Chet insisted that he was only willing to pay £400 and left the shop. However, on his journey home Chet realised that £450 was actually a very good price for the vase and he immediately wrote to Ali agreeing to buy it for that price. His letter was posted at 12:30 pm.

Just before closing time at 5 pm. Di came into Ali's shop and she also offered £400 for the vase. This time Ali agreed to sell the vase at that price and Di promised to return the following Monday with the money.

On the Monday morning Ali received both of the letters from Ben and Chet before Di could arrive to pay and collect the vase.

Required:

From the point of view of the law of contract advise Ali as to his legal relations with Ben, Chet and Di.

(10 marks)

9 Earl has been employed by Flash Ltd 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 Ltd. 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 Ltd's factory is built.

In April it was announced that Flash Ltd was going into immediate insolvent liquidation, owing considerable amounts of money to trade creditors. 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 Ltd in regard to:

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

(10 marks)

10 Katch Ltd is a small private 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 Ltd, although he has never been officially appointed as such.

Six months ago Len entered into a contract on Katch Ltd's behalf with Mo to produce some advertising material for the company. However Katch Ltd 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 Ltd and in particular advise whether or not Katch Ltd is liable to Mo.

(10 marks)

End of Question Paper