

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

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 Singapore



Paper F4 (SGP)

ALL TEN questions are compulsory and MUST be attempted

1 In the context of the doctrine of binding precedent or '*stare decisis*', explain when the court is bound to follow a prior decision and when it may choose not to follow a prior decision.

(10 marks)

2 In relation to the law of contract, explain the elements of an actionable misrepresentation and the remedies available.

(10 marks)

3 In relation to the law of torts, explain the scope of the auditor's duty of care to shareholders, potential investors and creditors, for statements made in a company's audited annual report.

(10 marks)

4 In the context of company law, discuss the concept of corporate personality and the consequences that flow from it.

(10 marks)

5 In the context of company law, explain the ways in which a director may be appointed and removed.

(10 marks)

6 In companies, there is often a separation of ownership and management.

Explain the issues of corporate governance raised by this separation.

(10 marks)

7 In the context of company law, explain what is meant by an 'unfair preference' by an insolvent company and summarise the law relating to unfair preference.

(10 marks)

8 Flametree Pte Ltd, a company producing local movies, entered into a contract with actress, Suzi Wong. Under the terms of the contract, Suzi Wong agreed to play the lead female role and Flametree Pte Ltd agreed to pay her \$150,000, with payments being made in weekly instalments over five weeks of filming. Filming began on 1 November 2007 but within a week, Suzi Wong's contract was terminated and a younger actress was found to replace her. Suzi Wong now wishes either to get back her job as the lead actress or alternatively, to claim \$30,000 for the work already done.

Required:

Advise Suzi Wong as to her remedies.

(10 marks)

- 9 Lim is a director of Hello Ltd, a manufacturer of mobile phones. Lim decided to start a mobile phone manufacturing business of his own. He remained as director of Hello Ltd while planning the start-up of his new business, but did not reveal his intention to start a competing business to the board of directors of Hello Ltd. Lim has been using his position as director of Hello Ltd to travel on overseas trips and gather business ideas and obtain business opportunities in the form of contacting potential suppliers and customers. Recently, Hello Ltd embarked on expansion plans to build a new factory. At a board of directors' meeting, Lim recommended a company called Fast Build Pte Ltd to be the main contractor for the building project. Fast Build Pte Ltd was awarded the tender even though it was a relatively new and unknown company. The board of directors has now discovered that Lim's brother, Henry, is a major shareholder of Fast Build Pte Ltd. Lim had made no mention of this fact.

Required:

Discuss whether Lim has breached his duties as director of Hello Ltd and state the consequences of any such breaches.

(10 marks)

- 10 Ang is a director of Water UnLimited, a company specialising in water treatment. At a board of directors' meeting, the directors were informed that the company's research and development department had come up with a revolutionary water treatment method that was less costly than current methods. The lower cost of water treatment was expected to result in increased profits for the company, and a rise in its share price. As the new water treatment process was market sensitive information, it was not to be released to the public until the press conference scheduled in a week's time.

That night, Ang telephoned his father-in-law, Boo, and told him to buy Water Unlimited shares quickly as the price was expected to go up soon. Without asking any further questions, Boo purchased 50,000 Water UnLimited shares. When the new water treatment works was announced the following week, Water UnLimited's share price rose sharply. Boo sold his shares at a substantial profit.

Required:

Discuss the liabilities of Ang and Boo under the Securities and Futures Act (Cap 289).

(10 marks)

End of Question Paper