

Fundamentals Level – Skills Module

# Corporate and Business Law (Global)

Tuesday 2 December 2008

**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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

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

- 1 Distinguish between the main sources of law in the following legal systems:**
- (a) the English common law system; (4 marks)
  - (b) a European civil law system; (3 marks)
  - (c) a Sharia law system. (3 marks)
- (10 marks)**
- 2 In relation to Article 34 of the UNCITRAL Model Law on International Commercial Arbitration, explain under what circumstances a party may have recourse against an arbitration award.**
- (10 marks)**
- 3 In the context of the UN Convention on Contracts for the International Sale of Goods, explain the meaning, and effect, of the concept of 'anticipatory breach'.**
- (10 marks)**
- 4 In relation to a company's shares, explain the following:**
- (a) the statement of capital and initial shareholdings; (4 marks)
  - (b) authorised minimum issued capital in a public company; (2 marks)
  - (c) paid-up capital; (2 marks)
  - (d) the difference between nominal value and market value. (2 marks)
- (10 marks)**
- 5 In relation to private companies, explain the meaning of, and the procedure for passing, the following:**
- (a) an ordinary and a special resolution; (5 marks)
  - (b) a written resolution. (5 marks)
- (10 marks)**
- 6 In relation to the Companies Act, 2006, explain the duty of directors to promote the success of the company, and to whom such a duty is owed.**
- (10 marks)**

**7 In relation to international business transactions, explain the meaning of the following terms:**

**(a) letters of comfort;** (5 marks)

**(b) letters of credit.** (5 marks)

**(10 marks)**

**8** Ari is a metal broker who was in negotiations with three parties for the sale of a large consignment of copper he was expecting to receive on 15 March.

On 1 March he wrote to the three clients Bas, Cas and Das.

He wrote to Bas offering to supply the copper at \$6,000 per tonne for orders over 100 tonnes for delivery to be made before 1 May. Bas immediately wrote back ordering 75 tonnes for delivery on 30 April.

He wrote to Cas offering 100 tonnes of copper at \$6,500 per tonne if he placed an order before 1 May. Cas also immediately wrote back ordering 150 tonnes at the agreed price for delivery on 30 April.

He wrote to Das offering to supply him copper at \$6,750 per tonne and Das immediately wrote back ordering 150 tonnes for delivery on 1 May.

After he had sent the above letters and before he received the replies Ari discovered that he would not be able to secure the delivery of the copper.

**Required:**

**Advise Ari as to his potential liability to Bas, Cas and Das under the above situations, assuming that the United Nations Convention on Contracts for the International Sale of Goods applies.**

**(10 marks)**

**9** Fred is a member of Glad Ltd a small publishing company, holding 100 of its 500 shares, the other 400 shares are held by four other members.

It has recently become apparent that Fred has set up a rival business to Glad Ltd and the other members have decided that he should be expelled from the company.

To that end they propose to alter the articles of association to include a new power to 'require any member to transfer their shares for fair value to the other members upon the passing of a resolution so to do'.

**Required:**

**Advise the parties concerned whether or not the proposed change to the Articles is legally enforceable and whether or not it can be used to force Fred to sell his shares.**

**(10 marks)**

**10** Ham, Sam and Tam formed a partnership to run a petrol station. The partnership agreement expressly stated that the partnership business was to be limited exclusively to the sale of petrol.

In January 2007 Sam received £10,000 from the partnership's bank drawn on its overdraft facility. He told the bank that the money was to finance a short-term partnership debt but in fact he used the money to pay for a round the world cruise. In February Tam entered into a £15,000 contract on behalf of the partnership to buy some used cars which he hoped to sell from the garage forecourt. In March the partnership's bank refused to honour its cheque for the payment of its monthly petrol account, on the basis that there were no funds in its account and it had reached its overdraft facility.

**Required:**

**Advise Ham, Sam and Tam as to their various rights and liabilities in relation to partnership law.**

**(10 marks)**

**End of Question Paper**