

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

Tuesday 3 June 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 Explain the meaning and role of the following organisations:**
- (a) **UNCITRAL;** (5 marks)
 - (b) **UNIDROIT.** (5 marks)
- (10 marks)**
- 2 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain:**
- (a) **an offer;** (4 marks)
 - (b) **an invitation to treat;** (2 marks)
 - (c) **a counter-offer.** (4 marks)
- (10 marks)**
- 3 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain when risk for loss or damage to goods passes from the seller to the buyer.**
- (10 marks)**
- 4 In the context of company law explain:**
- (a) **the doctrine of separate personality and its consequences;** (6 marks)
 - (b) **the circumstances under which separate personality will be ignored.** (4 marks)
- (10 marks)**
- 5 In relation to company law explain the meaning of the following:**
- (a) **ordinary shares;** (3 marks)
 - (b) **preference shares;** (3 marks)
 - (c) **debentures.** (4 marks)
- (10 marks)**
- 6 In relation to company law distinguish between:**
- (a) **executive directors;** (4 marks)
 - (b) **non-executive directors;** (3 marks)
 - (c) **shadow directors.** (3 marks)
- (10 marks)**

- 7 Explain the meaning of the following International Chamber of Commerce Incoterms:**
- (a) **CIF;** (4 marks)
- (b) **CIP;** (2 marks)
- (c) **FOB.** (4 marks)
- (10 marks)**

- 8** Axel, a German furniture manufacturer, ordered 2,000 metres (m) of a particularly high quality coloured cloth from Beni, an Italian cloth manufacturer. 1,000 m of the cloth was to be red and the other 1,000 m green. When the cloth was delivered Axel found that the green cloth had been replaced by blue cloth.

In spite of the change in the colour Axel used all the cloth without informing Beni and managed to sell all the furniture covered with it at its usual price. However he refused to pay Beni the full contractual price for the blue cloth as it was not what he had ordered.

Required:

Assuming that the UN Convention on Contracts for the International Sale of Goods applies, explain the rights and liabilities of the parties involved.

(10 marks)

- 9** Clare, Dan and Eve formed a partnership 10 years ago, although Clare was a sleeping partner and never had anything to do with running the business. Last year Dan retired from the partnership. Eve has subsequently entered into two large contracts. The first one was with a longstanding customer Greg, who had dealt with the partnership for some five years. The second contract was with a new customer Hugh. Both believed that Dan was still a partner in the business. Both contracts have gone badly wrong leaving the partnership owing £50,000 to both Greg and Hugh. Unfortunately the business assets will only cover the first £50,000 of the debt.

Required:

Explain the potential liabilities of Clare, Dan, and Eve for the partnership debts.

(10 marks)

- 10** Sid is a director of two listed public companies in which he has substantial shareholdings: Trend Co and Umber Co. The annual reports of both Trend Co and Umber Co have just been drawn up although not yet disclosed. They show that, Trend Co has made a surprisingly big loss and that Umber Co has made an equally surprising big profit. On the basis of this information Sid sold his shares in Trend Co and bought shares in Umber Co. He also advised his brother to buy shares in Umber Co.

Vic who is also a shareholder in both companies sold a significant number of shares in Umber Co only the day before its annual report was published.

Required:

(a) **Analyse the above scenario from the perspective of the law relating to insider dealing;** (8 marks)

(b) **In particular advise Vic as to his position.** (2 marks)

(10 marks)

End of Question Paper