

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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

The Lesotho Institute of Accountants



Paper F4 (LSO)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system of Lesotho:**
- (a) Explain the term 'judicial precedent'. (5 marks)
 - (b) Distinguish between *ratio decidendi* and *obiter dictum*. (5 marks)
- (10 marks)**
- 2 In relation to the law of contract, explain in what circumstances any formalities are required for a valid contract to come into existence.**
- (10 marks)**
- 3 In relation to the law of delict, explain the notion of 'fault'.**
- (10 marks)**
- 4 In relation to partnerships, explain the legal effects of death of a partner on the partnership.**
- (10 marks)**
- 5 In relation to company law, describe what is meant by the articles of association of a company.**
- (10 marks)**
- 6 In relation to company law, explain what is meant by 'corporate governance' and explain its significance for the board of directors of a public company in Lesotho.**
- (10 marks)**
- 7 In relation to company law, explain what is meant by:**
- (a) insider trading. (5 marks)
 - (b) fraudulent trading. (5 marks)
- (10 marks)**

- 8** Sonu, whose house is on a lakeshore, entered into a contract with Fun Ltd to construct a jetty so that he and his family could do some sailing on the lake. The jetty was to be 15 metres long by 2 metres wide with sturdy handrails on one side. The jetty itself was to be made of seasoned wood and double coated by a waterproof resin cherry brown in colour. It was agreed that the work on the jetty would be finished by 10 December 2007, well in time to celebrate New Year in the sailing yacht with the family. Sonu entered into another contract with Boat Ltd to supply and deliver a 10 metre sailing yacht on 11 December 2007 for a sum of R90,000.

Fun Ltd constructed the jetty on time. However, on examination Sonu found that it was only 14.5 metres long and 1.8 metres wide and that it had been coated by ordinary resin which was not waterproof.

On 1 December, Boat Ltd informed Sonu that because of a New Year rush, they would not be able to deliver the yacht until 3 January 2008. Sonu tried hard to find another seller but no one was willing to deliver before New Year for less than R125,000.

Required:

From the perspective of the law of contract, analyse the given facts and advise Sonu:

- (a) **Whether he can require Fun Ltd to reconstruct the jetty to the agreed specifications and if not, whether he has any alternative remedy against Fun Ltd.** (6 marks)
- (b) **What, if any, action he can take against Boat Ltd for their failure to deliver the yacht on time.** (4 marks)

(10 marks)

- 9** Harry and Bill ran a restaurant as a partnership business. Harry suggested to Bill several times that the partnership business would grow if it had a licence for staging live music shows by performing artists. Bill was totally opposed to it saying that it would change the character of the restaurant, increase overheads and drive away regular patrons. Nevertheless, without telling Bill, Harry asked Goodricks, an attorney, to apply for and obtain a licence. Goodricks did so and submitted his claim for R5,000 for his professional services. Bill refuses to authorise payment saying that the partnership never authorised Harry to instruct an attorney for such a licence.

Required:

In the context of the above facts, advise Bill if the partnership is bound to pay Goodricks.

(10 marks)

- 10** Cooper was the managing director of a company which ran a chain of take-away restaurants. In one of the board meetings, one of the directors informed the board that a certain building on Kingsway was available at a reasonable price and that it was ideally located for a thriving restaurant business. Since the company's financial resources were somewhat strained at that time, it could not purchase that building. A little later, Cooper resigned from the managing directorship and then purchased the building to run a take-away restaurant.

Required:

In the context of the above information, advise the company if it would be entitled to acquire the building back from Cooper, or claim the profits that the restaurant might generate.

(10 marks)

End of Question Paper