

Fundamentals Level – Skills Module

# Corporate and Business Law (Malta)

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 Malta Institute of Accountants



# Paper F4 (MLA)

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

- 1 Under the Maltese legal system, describe the manner in which the courts are structured, explaining the jurisdiction of the different courts. (10 marks)
- 2 In terms of the law of obligations, distinguish between:  
(a) contracts and quasi-contracts; and (5 marks)  
(b) torts and quasi-torts. (5 marks)  
(10 marks)
- 3 In terms of the Companies Act, 1995, distinguish between a private limited liability company and a private exempt limited liability company. (10 marks)
- 4 In terms of the Companies Act, 1995, describe what must be contained in the memorandum of association of a private limited liability company. (10 marks)
- 5 In terms of Maltese civil law, explain the principal rights and obligations of the mandator and mandatary *vis-à-vis* each other. (10 marks)
- 6 In terms of the Employment and Industrial Relations Act, 2002:  
(a) explain the concept of probation; and (4 marks)  
(b) state the grounds upon which a contract of employment may be terminated for a good and sufficient cause. (6 marks)  
(10 marks)
- 7 Explain the concept of corporate governance in the context of both public and private companies. (10 marks)

**8** James is the majority shareholder of a private limited liability company registered in Malta. James wishes to purchase a property and by way of security the bank are requesting that he pledge his shares in the company in its favour. James has discussed the matter with the other shareholders who have expressed their disagreement on the pledge and are not willing to resolve to change the memorandum and articles of association of the company to allow for the pledging of shares.

**Required:**

**(a) Explain whether James may pledge his shares in the company without obtaining the consent of the other shareholders.** (5 marks)

**(b) Explain the procedure to be followed in order to place the pledge into effect, and to regulate the pledge once in effect.** (5 marks)

**(10 marks)**

**9** Mark agrees to purchase a frost-free freezer from a local retail outlet. He signs the purchase order and effects payment. However, when the freezer is delivered he soon discovers that the freezer is not frost-free.

**Required:**

**Explain what action may be brought forward by Mark on the basis of invalidity of a contract.**

**(10 marks)**

**10** ABC Limited is a private limited liability company having 99% of its issued shares subscribed to by John Abela and the remaining 1% by his brother Paul Abela. Paul Abela also holds the post of director together with his brother. Paul Abela passed away in January 2007 leaving his brother John Abela as his sole heir. Despite such events ABC Limited has continued to trade.

**Required:**

**(a) Explain whether ABC Limited can continue to exist with a sole shareholder; and** (4 marks)

**(b) Explain who, and on what grounds, may take action on the basis of Article 214 of the Companies Act, 1995 to place ABC Limited into liquidation.** (6 marks)

**(10 marks)**

**End of Question Paper**