

Fundamentals Level – Skills Module

Corporate and Business Law (Vietnam)

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 Ministry of Finance of the Socialist Republic of Vietnam

Paper F4 (VNM)

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 In relation to the Vietnamese legal system, explain the role of the following:**
- (a) Legislation. (5 marks)
 - (b) Legal codes. (5 marks)
- (10 marks)**
- 2 In relation to contract law:**
- (a) Explain and distinguish between a 'bilateral contract' and a 'unilateral contract'. (4 marks)
 - (b) Explain and distinguish between a 'principal contract' and an 'ancillary contract'. (3 marks)
 - (c) Explain what is meant by a 'conditional contract'. (3 marks)
- (10 marks)**
- 3 In relation to employment law:**
- (a) Explain what is meant by 'redundancy'. (4 marks)
 - (b) Explain the obligations imposed by the Labour Code on an organisation that intends to dismiss employees on the grounds of redundancy. (6 marks)
- (10 marks)**
- 4 In relation to the capital and financing of shareholding companies:**
- (a) Explain the limitations imposed by the Law on Enterprises in respect of the payment of dividends. (5 marks)
 - (b) Explain the responsibilities of the board of management in respect of the administration of dividend payments. (5 marks)
- (10 marks)**
- 5 In relation to the management and administration of companies:**
- (a) Explain the circumstances under which the management of a shareholding company is obliged to convene a general meeting of shareholders. (7 marks)
 - (b) Explain the consequences of failing to convene a general meeting of shareholders when obliged to do so by the Law on Enterprises. (3 marks)
- (10 marks)**

6 In relation to company insolvency:

- (a) Explain the duties and powers of judges responsible for conducting insolvency proceedings. (4 marks)
- (b) Explain the duties and powers of a committee for the management and liquidation of assets. (6 marks)

(10 marks)

7 In relation to corporate governance:

- (a) Explain the matters that a shareholding company should include in its policy on corporate governance. (6 marks)
- (b) Identify any TWO characteristics of a shareholding company that make it especially important for management to apply good standards of corporate governance. (4 marks)

(10 marks)

8 Thanh is the general director of Invest Company, which manufactures children's toys. The business is growing rapidly, but it requires capital in order to develop its markets further.

Thanh has explored two possible ways of raising capital. Action Bank is prepared to lend the necessary funds but insists on a legal mortgage over the factory as a condition for sanctioning a loan. Finance Bank is prepared to advance a larger sum of money without a mortgage but requires a personal guarantee from Thanh, as it knows that Thanh's family is wealthy.

Required:

- (a) Advise Thanh on the nature of a legal mortgage and a personal guarantee. (6 marks)
- (b) With reference to the legal characteristics of these types of security, explain the risks that Thanh should consider before taking his decision. (4 marks)

(10 marks)

9 Trung and Pham were working together as the only two partners in an unlimited partnership. Their main business was the provision of building and renovation services to commercial properties. Their biggest project was carrying out improvements on a hotel in their city.

In ordering building materials needed for the work to be done, Trung placed an order for an excessive volume of materials in order to carry out work on his own behalf with the excess materials. The intention was to make a personal profit without Pham being aware of this. However, Pham discovered that the excessive order had been placed and demanded that Trung give full details of this and any other transactions he had entered into. Trung refused to provide this information and resigned from the partnership immediately, stating that he would bear no further liability for the partnership's obligations. Only half of the work necessary to complete the hotel project has been done.

Required:

- (a) Advise whether Trung can resign from the partnership without incurring any obligations for the work carried out on the hotel and for accounts payable by the partnership. (5 marks)
- (b) Advise on the actions that Pham can take to obtain full information on Trung's transactions and minimise any personal obligations that arise from the partnership. (5 marks)

(10 marks)

10 Vinh has inherited a substantial sum of money from his father and is considering various investments. A business colleague has suggested that company shares and bonds offer attractive long-term growth opportunities as well as a regular income.

Vinh has been offered shares in ABC Company. However, although the price is attractive, the shares are 'partly paid' and the company operates in the volatile technology sector. Vinh is also considering shares in the rapidly growing JKL Company but is concerned that the nominal value of the shares is one-quarter of the current market price. Vinh's business colleague suggests that this is nothing to worry about as the difference in price can be recovered from the company. Lastly, Vinh is considering bonds issued by XYZ Company, which offer a fixed rate of interest. However, Vinh is concerned that the return on the bonds does not appear to be as attractive as the shares that are available.

Required:

Explain the legal characteristics of the three alternative investments that should be considered by Vinh as a prospective investor.

(10 marks)

End of Question Paper