

Fundamentals Level – Skills Module

# Corporate and Business Law (South Africa)

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 (ZAF)

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 legal system, explain the importance of the Constitution of South Africa.  
(10 marks)
  
- 2 In relation to the law of contract, explain the rules relating to the award of damages for breach of contract.  
(10 marks)
  
- 3 In relation to partnership law, explain the authority of partners in relation to partnership activity.  
(10 marks)
  
- 4 Analyse the internal relationship between the members of a close corporation.  
(10 marks)
  
- 5 In relation to company law, explain the meaning and effect of limited liability.  
(10 marks)
  
- 6 (a) Explain briefly what is meant by 'corporate governance'. (4 marks)  
(b) Within the context of corporate governance, explain the role of non-executive directors of public companies in the South African company law. (6 marks)  
(10 marks)
  
- 7 In relation to employment law, explain what is meant by an 'automatically unfair dismissal'.  
(10 marks)
  
- 8 Andrew wants to buy Ben's fixed-wing propeller aeroplane. He is not sure whether the contract should be in writing. He is also not sure what the consequences would be if they decide to enter into a written contract.  
**Required:**  
**Advise Andrew on the validity of an oral or written contract.**  
(10 marks)

- 9 Cathedral Construction Ltd is a property-owning company. The main asset of the company is a piece of land that it bought with the view of building a block of flats on it. The land was bought some years ago at a price of R50 000. The directors have recently had the site revalued and the current value is R350 000. It has been some years since the company has paid a dividend and the directors propose to use the revaluation as a basis for declaring a dividend in order to make the shares of the company more attractive, should they decide to issue further shares in the future.

**Required:**

**Advise the directors as to the legality of a payment of dividends by a company in the above circumstances.**

**(10 marks)**

- 10 The auditors of Dunce Ltd signed the balance sheet of the company, which grossly overstated the value of the stock-in-trade, at the end of each year. The auditors had relied, without further enquiry, on certificates regarding the value of the stock-in-trade which were issued by the company secretary. The company has now gone into liquidation and it is clear that the company has no assets to pay its creditors. Empire Bank Ltd alleges that it relied on Dunce Ltd's financial statements for increasing the overdraft facilities to it. The auditors are now being sued by Empire Bank to make good the loss it has suffered for not being able to recover the money advanced to Dunce Ltd.

**Required:**

**Advise the auditors on their potential liability for professional negligence.**

**(10 marks)**

**End of Question Paper**