

Fundamentals Level – Skills Module

# Corporate and Business Law (Global)

Tuesday 8 December 2009

**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 square.

**ACCA**

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

- 1 Explain and compare the role of judges within:**
- (a) the English Common Law system, and (6 marks)
  - (b) **ONE** of the following:
    - (i) a Civil Law system;
    - OR**
    - (ii) a Sharia Law system. (4 marks)
- (10 marks)**
- 2 Within the context of the UNCITRAL Model Law on International Commercial Arbitration, explain:**
- (a) the grounds, and (5 marks)
  - (b) the procedure (5 marks)
- for challenging the appointment of an arbitrator.
- (10 marks)**
- 3 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain the obligations imposed on the buyer of goods.**
- (10 marks)**
- 4 Within the context of the UN Convention on Contracts for the International Sale of Goods, in relation to remedies for breach of contract, explain:**
- (a) the meaning, and rules relating to the award of damages; (6 marks)
  - (b) the duty to mitigate losses. (4 marks)
- (10 marks)**
- 5 In relation to company law:**
- (a) explain the meaning of limited liability. (3 marks)
  - (b) Explain and distinguish between:
    - (i) unlimited companies; (2 marks)
    - (ii) companies limited by guarantee; (2 marks)
    - (iii) companies limited by shares. (3 marks)
- (10 marks)**

- 6 In the context of companies in financial difficulty, distinguish between and explain the operation of:**
- (a) compulsory winding up; (4 marks)
  - (b) administration. (6 marks)
- (10 marks)**

- 7 Explain the meaning of the following terms in relation to international business transactions:**
- (a) Bill of lading; (5 marks)
  - (b) Bill of exchange. (5 marks)
- (10 marks)**

- 8** Ali manufactures and supplies cloth from his factory in Arasia. In January he entered into a contract with Ben and Con, two clothes makers in Beloria, to supply them each with 1,000 metres of cloth. Ben's order was for a very high quality cloth that had to be specially made. Con's order was for Ali's ordinary cloth that was produced on a mass basis. It was to be supplied by Ali's agent from a larger run of 5,000 metres of the cloth that was being delivered to the agent in Beloria. As both orders were due on the same date Ali shipped them together in the same ship container. Unfortunately the ship ran into a severe storm and the container with the cloth inside was washed overboard and lost.
- Neither of the contracts made any specific provision as to the passage of risk and it can be assumed that the provisions of the UN Convention on Contracts for the International Sale of Goods (CISG) apply.

**Required:**

**Advise Ali, Ben, and Con as to their rights and obligations under the UN Convention on Contracts for the International Sale of Goods in relation to the destroyed goods paying particular attention to the passage of risk in both instances.**

**(10 marks)**

- 9** Caz is a director of Dull plc, but she also carries out her own business as a wholesale supplier of specialist metals under the name of Era Ltd.

Last year Dull plc entered into a contract to buy a large consignment of metal from Era Ltd. Caz attended the board meeting that approved the contract and voted in favour of it, without revealing any link with Era Ltd.

**Required:**

**Analyse the situation explaining any potential liability that Caz may have in relation to the sale of the metal to Dull plc by Era Ltd.**

**(10 marks)**

**10** Fran, Gram and Hen registered a private limited company Ire Ltd in January 2005 with a share capital of \$300, which was equally divided between them, with each of them becoming a director of the company.

Although the company did manage to make a small profit in its first year of trading, it was never a great success and in its second year of trading it made a loss of \$10,000.

At that time Fran said he thought the company should cease trading and be wound up. Gram and Hen, however, were insistent that the company would be profitable in the long-term so they agreed to carry on the business, with Fran taking less of a part in the day-to-day management of the business, although retaining his position as a company director.

In the course of the next three years Gram and Hen falsified Ire Ltd's accounts to disguise the fact that the company had continued to suffer losses, until it became obvious that they could no longer hide the company's debts and that it would have to go into insolvent liquidation, with debts of \$100,000.

**Required:**

**Advise Fran, Gram and Hen as to any potential liability they might face as regards:**

**(a) fraudulent trading, under both criminal and civil law;** (5 marks)

**(b) wrongful trading under s.214 of the Insolvency Act 1986.** (5 marks)

**(10 marks)**

**End of Question Paper**