

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

Tuesday 2 June 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.

ALL TEN questions are compulsory and MUST be attempted

- 1 Explain the meaning and operation of the doctrine of precedent in relation to:**
- (a) the English legal system; (6 marks)
 - (b) **ONE** of the following:
 - (i) a civil law system;**OR**
 - (ii) a Sharia law system. (4 marks)
- (10 marks)**
- 2 (a) Assess the relative advantages and disadvantages of arbitration as an alternative to court proceedings in respect of international business transactions. (5 marks)**
- (b) In relation to the UNCITRAL Model Law on International Commercial Arbitration, explain the meaning and significance of statements of claim and statements of defence. (5 marks)**
- (10 marks)**
- 3 In the context of the UN Convention on Contracts for the International Sale of Goods, explain the obligations relating to price placed on the buyer. (10 marks)**
- (10 marks)**
- 4 In relation to company law, explain:**
- (a) the limitations on the use of company names; (4 marks)
 - (b) the tort of 'passing off'; (4 marks)
 - (c) the role of the company names adjudicators under the Companies Act 2006. (2 marks)
- (10 marks)**
- 5 In relation to company law, explain:**
- (a) the doctrine of capital maintenance; (4 marks)
 - (b) the circumstances under which both a public and a private company can reduce its capital and the procedure to be followed. (6 marks)
- (10 marks)**
- 6 State and explain the grounds upon which a person may be disqualified under the Company Directors Disqualification Act 1986. (10 marks)**
- (10 marks)**

7 In the context of the UN Convention on International Bills of Exchange and International Promissory Notes:

(a) define an international bill of exchange; (4 marks)

(b) explain the meaning and effect of endorsement. (6 marks)

(10 marks)

8 In January 2008 Arti, a Belgian wholesaler of industrial chemicals, entered into a contract to supply Bo, a Danish manufacturer, with 1,000 tonnes of sulphuric acid to be delivered by 30 June 2008. Arti despatched the acid by ship on 20 June to ensure it would be delivered to Bo on time and sent the bill of lading to Bo. However, on 29 June and before the acid had been delivered, Arti received a telex from Bo stating that he no longer needed the acid and would not be going through with the contract.

Required:

Advise Arti as to what action he can take under the UN Convention on Contracts for the International Sale of Goods, paying particular attention to the effect of Article 71 of the Convention relating to anticipatory breach of contract.

(10 marks)

9 Clean Ltd was established some five years ago to manufacture industrial solvents and cleaning solutions, and Des was appointed managing director.

The company's main contract was with Dank plc a large industrial conglomerate.

In the course of its research activity, Clean Ltd's scientists developed a new super glue. Des was very keen to pursue the manufacture of the glue but the board of directors overruled him and decided that the company should stick to its core business.

The managing director of Dank plc is a friend of Des's and has told him that Dank plc will not be renewing its contract with Clean Ltd as he is not happy with its performance. He also told Des that he would be happy to continue to deal with him, if only he was not linked to Clean Ltd.

Following that discussion Des resigned from his position as managing director of Clean Ltd and set up his own company, Flush Ltd which later entered into a contract with Dank plc to replace Clean Ltd. Flush Ltd also manufactures the new glue discovered by Clean Ltd's scientists, which has proved to be very profitable.

Required:

In the context of company law, advise the board of Clean Ltd as to whether they can take any action against Des or Flush Ltd.

(10 marks)

10 Greg is a member of the board of directors of Huge plc. He also controls a private limited company Imp Ltd through which he operates a management consultancy business. He also owns all the shares in Jet Ltd through which he conducts an investment business.

When Greg learns that Huge plc is going to make a take-over bid for Kop plc he arranges for Jet Ltd to buy a large number of shares in Kop plc on the London stock exchange on which it makes a large profit when it sells them after the take-over bid is announced. He then arranges for Jet Ltd to transfer the profit to Imp Ltd as the charge for supposed consultancy work. The money is then transferred to Greg through the declaration of dividends by Imp Ltd.

Required:

Analyse the above conduct from the perspective of criminal law paying particular attention to the issues of:

(a) insider dealing; and (5 marks)

(b) money laundering. (5 marks)

(10 marks)

End of Question Paper