



Accounting
Technicians
Ireland

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1st Year Examination Summer 2009

LAW & ETHICS (NI)

**PAPER, SOLUTIONS
and
EXAMINER'S REPORT**

NOTES TO USERS ABOUT THESE SOLUTIONS

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Although they are published by the Institute, it should be noted that neither the Institute nor its Examination Committee necessarily endorses these solutions or agrees with the views expressed by their authors.

There are often many possible approaches to the solution of questions in professional examinations. It should not be assumed that the approach adopted in these solutions is the ideal or the one preferred by the Institute.

This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

The solutions are relevant to the tax rates in the year the Examination was sat. A copy of the tax rates is enclosed with the solutions.

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1st Year Examination : Summer 2009

PAPER : LAW & ETHICS (NI)

Friday 22nd May 2009 - 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

Candidates must indicate clearly whether they are answering the paper in accordance with the law and practice of Northern Ireland or the Republic of Ireland.

In this examination paper the £ symbol may be understood and used by candidates in Northern Ireland to indicate the UK pound sterling and the € symbol may be understood by candidates in the Republic of Ireland to indicate the Euro.

Candidates may refer to the under-mentioned items of legislation in answering this paper.

Northern Ireland

Partnership Act, 1890
Limited Partnerships Act, 1907
Companies (N. Ireland) Order, 1986
Business Names (N. Ireland) Order, 1986
Companies (Table A to F) Regulations (N. Ireland), 1986
Insolvency (N. Ireland) Order, 1989
Companies (N. Ireland) Order, 1989
Companies (N. Ireland) Order, 1990
Companies (No. 2) (N. Ireland) Order, 1990
The Companies Act 2006

The above items of legislation, and only those items, may be brought into the examination by candidates and used as reference material therein. Reference items must not contain any written notes or commentaries. Candidates will not be permitted to refer to any index published separately from the legislation.

Section A answer QUESTION 1 (COMPULSORY) and ANY THREE of the FOUR remaining questions. Section B answer ANY FOUR of the FIVE questions. If more than the required questions are answered in Section A and Section B, then only the correct number of questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

Marks will be awarded for specific reference to sections of the Acts/Orders and decided cases. However, candidates are expected to answer the questions in their own words in order to demonstrate their understanding of the points at issue. The mere transcription of sections of the Acts/Orders, or the citing of references therein, by itself, will not be regarded by the Examiner as a sufficient answer.

Answers should be illustrated with examples, where appropriate. Cite any relevant authorities and/or statutory provisions to support your answers.

Question 1 begins next page.

SECTION A

Answer Questions 1 (Compulsory) and ANY THREE of the four remaining questions

QUESTION 1 (Compulsory Question)

James has been the auditor of Arden Enterprises Ltd for the past five years. At a recent meeting one of the company's directors tendered his resignation and the other directors have asked James to consider becoming a non-executive director of the company. James is considering accepting the position but asks you to advise him on the following:

- (a) The role of a non-executive director. 3 Marks
- (b) The procedure to be appointed as a company director. 5 Marks
- (c) The eligibility requirements to be a company director - and whether in the circumstances James would be eligible to accept this position.

4.5 Marks
Total 12.5 Marks

QUESTION 2

Kara and Fiona have just graduated from Belfast Design College and want to establish a business together, designing clothes for theatrical performances. They have decided to establish their business in the form of a partnership, but as they know nothing about partnership law they seek your advice in relation to the following matters:

- (a) What are the *TWO* main advantages of operating the business in the form of a partnership as opposed to a limited liability company? 2 Marks
- (b) What type of liability are partners exposed to if the business is not successful? 5 Marks
- (c) What methods can be used to effect the dissolution of the partnership?

5.5 Marks
Total 12.5 Marks

QUESTION 3

- (a) Harry and Adam have decided to convert their business partnership into a private limited company. Outline to them (in brief) the nature, purpose and content of the Memorandum of Association and the Articles of Association. 5.5 Marks
- (b) State how the Articles can be altered and the notice period that must be given for the general meeting? 3 Marks
- (c) When the company is registered the Companies Registration Office will issue them with a Certificate of Incorporation. List FOUR pieces of information contained in this document.

4 Marks
Total 12.5 Marks

QUESTION 4

- (a) Explain the pre-requisite to liquidate a company by a voluntary resolution of its members.
- (b) Outline the procedure involved in effecting a members' voluntary liquidation.

2 Marks

10.5 Marks

Total 12.5 Marks

QUESTION 5

- (a) Sarah has just inherited 10,000 £1 ordinary shares and 10,000 £1 debenture stocks in Philosophy Construction Plc. Advise Sarah on the characteristics of each of these investments and determine which you consider to be the more risky investment.
- (b) Sarah has also been advised that the 10,000 £1 ordinary shares are partly-paid shares and have an outstanding liability of 25 pence per share. Explain how the company accounts for these partly-paid shares on the balance sheet and when the company can expect/request payment of the outstanding 25 pence per share.

9.5 Marks

3 Marks

Total 12.5 Marks

SECTION B

Answer ANY FOUR of the FIVE questions in this Section

QUESTION 6

- (a) List the FIVE primary sources of European law.
- (b) Outline the composition and function of the European Court of Justice.

5 Marks

7.5 Marks

Total 12.5 Marks

QUESTION 7

- (a) Define the concept of consideration.
- (b) Angela saw an advertisement on the back of a box of her favourite cereal. The advertisement read that if you collected 20 tokens from the back of cereal boxes and returned them to the cereal company before the 1st June 2009 that the company would send you a £200 gift voucher that could be redeemed against any purchase from Lauren Department Stores. Angela collected the tokens and sent them off to the cereal company two months in advance of the 1st June deadline. Last week Angela received a letter back from the cereal company thanking her for her interest in the offer but advising her that the offer was no longer available due to excessive demand.

2.5 Marks

Angela is extremely annoyed and seeks your advice as to whether she can sue the cereal company for breach of contract. Advise Angela.

10 Marks

Total 12.5 Marks

QUESTION 8

Matt has been employed as a trainee accounting technician with the Power Finance Partnership for the past five years. Last week Matt found out that he had again failed two of his Second Year exams. This is Matt's fourth time attempting and failing these two particular examination papers. Yesterday Matt was called to a meeting with the partnership's senior partner and at this meeting he was informed that he was being dismissed as a consequence of his failure to pass his exams. Matt thinks that his dismissal is not justified as he has always been complimented on the quality of his work for the partnership.

- (a) Outline to Matt the key grounds upon which a dismissal is presumed to be fair, under the terms of the Employment Rights (Northern Ireland) Order 1996.
- (b) Assume that Matt decides to sue the Power Finance Partnership for unfair dismissal, advise him on the potential success or otherwise of his claim.

10 Marks

2.5 Marks

Total 12.5 Marks

QUESTION 9

Outline the main terms implied into every consumer contract for the sale of goods under the terms of the Sale of Goods Act 1979 (as Amended by The Sale and Supply of Goods Act 1994 and The Sale and Supply of Goods to Consumers Regulations 2002).

Total 12.5 Marks

QUESTION 10

- (a) List the three stages involved in the **Accounting Technicians Ireland*** disciplinary process. **3 Marks**
- (b) Explain any TWO of the five fundamental principles of the Accounting Technicians Ireland Code of Ethics in order to achieve the objectives of the profession. **4 Marks**
- (c) Outline the sanctions that can be imposed by the complaints committee where an Accounting Technicians Ireland member breaches the Accounting Technicians Ireland Code of Ethics.

5.5 Marks
Total 12.5 Marks

* **Accounting Technicians Ireland** previously referred to as The Institute of Accounting Technicians in Ireland (IATI).

1st Year Examination : Summer 2009

LAW & ETHICS (NI)

Solutions

Solution to Compulsory Question 1

- (a) **Role of a Non-Executive Director:** this is a Director appointed to manage the business on a transient basis - more involved in strategic management at board level, not involved in the operational day to day running of the company - they are appointed due to their expert knowledge, experience, attainment or skills, reputation etc ... - they are not required to give continuous attention to the affairs of the business - perform a monitoring role and are involved in the governance of the company rather than management - involved in the determination of executive directors' remuneration. They are to contribute an independent view - provide effective leadership - ensure high standards.
- (b) **Appointment of a Director:** Form 21 or the Articles of Association are used upon incorporation to state the names of the first directors of a company - thereafter all subsequent appointments are governed by Articles of Association - an appointment may arise following a retirement by rotation process provided the person is eligible for re-election, and wishes to be re-appointed - such a re-appointment is made by an ordinary resolution of the shareholders at an GM - as is the appointment of any persons wishing to become a director at the GM - the Board of Directors can also appoint a person to act as a director - where a casual vacancy arises - but at the next GM this person must resign and if they desire/are eligible they can ask the shareholders for re-election.
- (c) **Eligibility:** a person is only eligible if they are
- (1) not an un-discharged bankrupt,
 - (2) a corporate or human body (at least one director must be a natural person s. 155),
 - (3) not the auditor of a company or its holding company,
 - (4) a person not subject to a disqualification order or other court order restraining them to be a director,
 - (5) over 16 years - minimum age requirement by s. 157 CA 2006 - in order to be appointed as a director James must resign his position as auditor - as he cannot act in both positions simultaneously.

Solution to Question 2

(a) Advantages:

- (1) a lack of publicity requirements,
- (2) a lack of regulation/formality in the running of the business.

(b) Liability: in a partnership the partners are jointly and severally liable for the debts of the firm - this means that they are liable in the proportion in which they share profits and losses - but if one partner cannot pay their required contribution - then the other partners are obliged to accept responsibility for this loss - a partner is even liable for losses where his/her actions in no way caused that loss - it is possible for a partner to have limited liability - but to acquire limited liability they must be a silent or sleeping partner (a person who has invested money in the firm but is in no way involved in the operational management of the firm) and also be registered with the CRO as having limited liability - an active partner cannot have limited liability.

(c) Dissolution of the partnership: this may arise in the following ways:

- (1) by the passage of time,
- (2) attainment of objectives - termination of the venture,
- (3) by retirement/notice of a partner,
- (4) by the death or bankruptcy of a partner,
- (5) by an intervening illegality that makes the continued existence of the firm illegal or
- (6) agreement between the partners
- (7) by an Order of the Court - this may be granted due to the
 - (a) permanent mental or physical incapacitation of a partner,
 - (b) partner misconduct,
 - (c) persistent breach of the partnership agreement,
 - (d) where the partnership can only be carried on at a loss, or
 - (e) where the Court considers at its absolute discretion that dissolution it "just and equitable" in the circumstances.

Solution to Question 3

- (a) Under the Companies Act 2006 (comes into effect Sept 2009) the Memorandum of Association is a simple document providing certain basic information and key declarations to the public - it include:
- (1) A statement that the subscribers agree to form a company and agree to become members and in the case of a company with a share capital that the members agree to taking at least one share,
 - (2) the name of the company - the Articles of Association: consist of the internal rules that relate to the management and administration of the company and form part of the company's constitution - they allocate the powers of the two organs of the company - the board of directors and the shareholders - it is not necessary for each new company to draft articles - a company can adopt the model Articles contained in the CA 2006 (formerly referred to as Table A) instead - or alternatively they can draft their own articles or amend the model articles to meet the specific requirements of their company.

Students may answer this question with reference to Companies (Northern Ireland) Order 1986: Memorandum of Association: This document regulates the external activities of the company and contains 5 clauses -

- (1) *name clause - followed by Ltd or Plc*
 - (2) *the objects clause*
 - (3) *the liability clause*
 - (4) *the capital clause*
 - (5) *the association/subscripton clause - which tells you the names of the first shareholders of the company and how many shares they purchased on formation - the Articles of Association: this document regulates the internal activities of the company - and deals with issues such as share capital, meetings, directors, secretaries, auditors and accounts, dividends, liquidation etc... - it is not necessary to file an Articles - a company can accept the standard Articles contained in Table A of The Companies (Northern Ireland) Order 1986 (CNIO'86)/Companies (Tables A to F) (Amendment) Regulations (Northern Ireland) 2007 instead.]*
- (b) Articles can be altered by a special resolution passed at a general meeting - where a minimum of 75% of the members vote to amend the Articles - 14 days notice must be given of any meeting which proposes to pass a special resolution (s.307 CA 2006).
- (c) Certificate of Incorporation: This document contains the following information:
- (1) the name of the company,
 - (2) the company's registered number and
 - (3) the date of incorporation of the company
 - (4) states that it is limited and whether it is public or private
 - (5) states where the registered office of the company is situated - England, Scotland, Wales or Northern Ireland.

Solution to Question 4

- (a) **Pre-requisites:** in order to liquidate by a resolution of the members the pre-requisite is that the company solvent.
- (b) **Members Voluntary Liquidation Procedure:** a statutory declaration of solvency must also be completed by all/majority of the directors to the effect that the company is solvent and will be in a position to pay off all debts arising in the liquidation process within a specified period not exceeding 12 months. It is a criminal offence punishable by fine or imprisonment for a director to make a declaration of solvency without having reasonable grounds for it - a meeting of the shareholders must be called within five weeks of the declaration (at which the declaration of solvency is presented to them) asking them to pass a resolution to liquidate the company - the declaration must be delivered to the Registrar within 15 days of this meeting - the same resolution usually appoints a voluntary liquidator and all powers of the director cease - the liquidator will sell off the assets, pay the company debts and distribute the residue in accordance with the terms of the company's Articles of Association and company law - when this is effected the liquidator will call a general meeting and lay his report before the meeting and will send a copy of his report to the Registrar who will dissolve the company and strike the company off the register - and effectively bring it to an end.

Solution to Question 5

- (a) **Investment options:**
- (1) Ordinary Shares - these are called the equity shareholders of the company as they bear the burden of the company's performance - they are risk takers as they are the last to be paid upon the liquidation of the business, and if there is no funds available on liquidation they receive no return on capital - they do however bear the possibility of capital growth - in effect they have a right to a share of any available assets/funds upon winding-up if funds are available - they receive a return called a dividend, but its payment is completely dependent upon company performance - if profits are available for distribution and the directors declare a distribution then they may receive a dividend - ordinary shares generally have the ability to influence company policy by exercising voting rights at meetings (AGM/GM) relating to company business.
 - (2) Debenture Stocks - a debenture is a document acknowledging a debt due and owing by a company, and secured on a company asset - debenture stocks are issued by public limited companies to raise money from the public - in effect, the loan is split into different amounts/units (similar to shares) and they are transferable on the stock market - with these stocks the risk is low because they are generally secured on an asset and therefore have priority of payment on liquidation - however, there is no capital gain upon the liquidation - only entitled to the capital sum, plus any accrued interest - interest is payable every year as a pre-tax expense and must be paid even if the company does not make a profit - debenture holder can usually appoint a Receiver where default occurs to recover the debt but generally they have no ability to influence company policy as they have no voting rights - although restrictive covenants may apply - debenture stocks are viewed as less risky than ordinary shares as they have priority of payment in liquidation and are guaranteed a return on investment through annual interest payments.
- (b) **Partly-Paid Shares:** paid-up amount is reflected on the balance as paid-up/called-up issued share capital - unpaid portion is reflected as unpaid capital/reserve capital (where the unpaid portion is reserved exclusively for liquidation purposes) - payment is required at either a pre-agreed future date or upon liquidation of the company (whichever arises first).

Solution to Question 6

(a) **Primary Sources of EU law:**

- (1) Treaty of Rome 1957,
- (2) Single European Act 1986/7,
- (3) Maastricht Treaty (Treaty of the European Union) 1992/3,
- (4) Amsterdam Treaty 1987/8, and
- (5) Nice Treaty 2001/2.

- (b) **European Court of Justice:** composition = one representative from each member state (ms) - 27 in total - presided over by a president, and assisted by legal advocates, judges are appointed for renewable terms of 6 years - with a partial replacement every 3-4 years - function: enforcement and interpretation of EU law and ensuring compliance with the Treaties - hears cases referred by the Council, Commission, national courts or by individual/institutions of the ms's - can hear cases in plenary session or in chambers - court of First Instance can hear cases at first instance - does not apply the doctrine of precedence - applies a civil law system - no right of appeal from this Court - the ECJ can also pronounce on matters of general importance by issuing recommendations.

Solution to Question 7

- (a) **Consideration:** discussion of the requirement relating to the presence of consideration in a contract to affirm its validity - consideration is based on the notion of *quid pro quo* (a favour for a favour), and on mutuality of obligation (you do something for me and I'll do something for you) in most contracts it is the price you pay for a promise etc - to be valid the consideration must be real & genuine and possible, it cannot be vague (idea of prayers), uncertain or illegal.
- (b) **Contract formation:** although most advertisements are viewed as an invitation to treat (an invitation to make an offer) - it is likely that this advertisement would be viewed as an offer (a clear and unambiguous statement of the terms and conditions under which the parties are willing to contract) based on case law such as *Carlill v Carbolic Smokeball Company (1893)* - as an offer it would be classified as a unilateral offer (an offer to the world at large and only accepted by those who act upon it) - and therefore it is capable of acceptance by performance - the consideration for the contract is the exchange of the 20 tokens in return for the £200 gift voucher - this is valid consideration based on the rule that consideration must be sufficient but need not be adequate (*quantum* amount is irrelevant - provided it is a minimum economic value - it is not a question of a "good bargain" - as established in *Chapple v Nestle (1960)* and *Thomas v Thomas (1842)*) - conclusion that a valid contract exists between Angela and the cereal company - an offer was made - Angela accepted within the required time period and the exchange of the tokens for the voucher was valid consideration - as this is a commercial contract intention is presumed - and as there are no indications of a lack of capacity - therefore Angela can sue the cereal company for breach of contract.

Solution to Question 8

- (a) Employment Rights (Northern Ireland) Order 1996 - Section 130(2), sets down grounds upon which dismissal is deemed fair:
- (1) lack of capability & qualifications: capability relates to mental and physical ability or any other health/physical/mental quality to perform the required tasks and qualifications relate to either academic, professional, technical, occupational or other qualifications - for example, in *Lister v Thom & Sons Ltd (1975)*, Lister was given the job on the condition he obtained an HGV licence. He failed to do this and was transferred to another job and then dismissed. His dismissal was deemed unfair as failure to obtain licence did not prevent him working in another capacity;
 - (2) employee misconduct - act of gross misconduct (such as criminal activity) may justify a summary dismissal, acts of continuous misconduct (such as absenteeism/tardiness etc) should result in a warning and ultimately dismissal if the behaviour continues, acts of isolated misconduct (not gross) should only warrant a warning and not dismissal;
 - (3) redundancy - where the position no longer exists (downsizing, relocation, re-structuring etc) or the company no longer exists - subject to the selection being fair. The objective criteria set out for redundancy is stated in *Williams v Compare Maxam Ltd 1982*; and
 - (4) where the continuance of employment would result in illegality: for example in *Fern v Tayfield Motor* an employee who lost his licence was fairly dismissed as his job entailed driving cars.
- (b) Conclusion: Matt's dismissal may be deemed fair - as he was hired as a trainee and therefore it would be assumed that he would be qualified within a reasonable period of time - as he failed the same two exams on four different occasions this may suffice to bring his contract to an end for dissatisfaction with his performance - provided fair procedures were followed - for example, Matt was warned of his shortcomings and told that if he failed to pass these exams on the next sitting that he would be dismissed - otherwise the lack of fair procedures may amount to an unfair dismissal - the fact that he is competent to do the job is irrelevant if he is not qualified.

Solution to Question 9

- Sale of Goods: Section 2(1) SGA 1979 - a contract in which a seller transfers or agrees to transfer ownership of goods to a buyer "for a money consideration called the price" - terms are automatically implied into consumer contracts.
- Terms implied into every contract:
 - (1) implied conditions as to title/right to sell - Section 12 - this assumes that the goods are free from charges/mortgages at the point of sale or that the seller has the right to sell,
 - (2) implied conditions as to description Section 13(1) - this assumes that goods sold by description must correspond to that description - a sale by description does not preclude a sale where goods are exposed for sale and selected by the consumer - a description includes tags, labels etc... *Harlington v Christopher 1990* held that this implied term may only be breached if the buyer relied upon the description - if the buyer is an expert reliance may not be established,
 - (3) implied conditions as to sale by sample - Section 15 - this assumes that the bulk of the goods purchased must correspond with the sample - the consumer must also be afforded a reasonable opportunity for inspection and goods should be free of any defect,
 - (4) implied conditions as to satisfactory quality and fitness for purpose - Section 14 substantially updated by SSGA 94 - this assumes that the goods sold "in the course of business" are of satisfactory quality as a reasonable person would expect - taking account of the price, description and all other relevant circumstances (time of sale, changing standards) - there is an exception to this term where the defect is brought to the attention of the buyer before the contract is made, or the defect should be obvious to a reasonable person by an application of the doctrine of *caveat emptor* - this implied term also assumes that the goods free from minor defects, durable, safe, satisfactory appearance and finish and are fit for the purpose intended - assuming normal usage - if the goods are going to be used for an alternate purpose, and the seller is aware of this purpose, then the buyer can assume that they are fit for that alternate purpose - where a reasonable alternate use is notorious within the market - then an assumption of fitness for purpose is assumed, unless the seller specifically states otherwise. The phrase "in the course of business" is not defined in statute but has received much judicial consideration and is defined broadly *Stevenson v Rogers 1999*.
- Under the Regulations you have the right to repair, replacement, compensation (discount) or rescission (full refund) on any defective good i.e. a good that did not conform to the contract of sale at the time of sale.

Solution to Question 10

(a) Disciplinary Process:

- (1) complaints committee,
- (2) disciplinary tribunal,
- (3) appeals tribunal.

(b) Accounting Technicians Ireland* Code of Ethics fundamental principles:

- (1) **integrity** - this principle requires that the members should be straightforward and honest in all professional and business relationships,
- (2) **objectivity** - this principle requires that members should be fair and should not allow bias, conflict of interest or undue influence of others to override professional or business judgments,
- (3) **professional competence and due care** - this principle requires that members have a continuing duty to maintain professional knowledge and skill at a level required to ensure that a client or employer receives the advantage of competent professional service based on current developments in practice, legislation and techniques. Members are required to act diligently and in accordance with applicable technical and professional standards when providing professional services,
- (4) **confidentiality** - this principle requires that members should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority or unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the member concerned or third parties, and
- (5) **professional behavior** - this requires that members should comply with relevant laws and regulations and should avoid any action that discredits the profession.

(c) Sanctions:

- (1) *prima facie* case and no further action,
- (2) probation (of up to 2 years),
- (3) a consent order (where the member admits his guilt and accepts a known punishment), or
- (4) refer the case to the disciplinary tribunal (this may also arise where a consent order is not accepted by the member).

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1st Year Examination : Summer 2009

LAW & ETHICS (NI)

EXAMINER'S REPORT

Observations on standard

The level of understanding demonstrated by 1st year candidates was noticeably below that of the 2nd year candidates.

Question 1 (Compulsory Question)

Most candidates understood the nature of the role of a non-executive director and gained full marks for part (a). Candidates were generally less confident in their descriptions of the relevant procedure to be appointed as a company director in answer to part (b). With regard to part (c) a remarkable number of candidates thought that ability and association with the company constituted eligibility requirements.

Question 2

The majority of candidates were able to point to the lack of publicity requirements and the lack of regulation in the running of the company in answer to part (a). Candidates generally gained good marks for part (b). I was however concerned that only a handful of candidates seemed to appreciate that liability is several. Part (c) was generally well answered.

Question 3

Parts (a), (b) and (c) were generally well answered with the best answers observing traditional examination advice and only answering the question set. Full marks could be gained in answer to this question in a few short bullet points. A further point on style is that some candidates chose to answer this question in the form of a letter to Harry and Adam. Using a letter format neither gained nor lost candidates marks. Some candidates however used the letter format and in so doing did not separate out the answers to parts (a), (b) and (c). The danger here is that candidates will forget to address all parts of the question.

Question 4

Few candidates realized that the "pre-requisite to liquidate a company by a voluntary resolution of its members" asked for in part (a) is that of solvency. In some cases candidates scored badly on this question, with referring to a company's solvency gaining a candidate 2 marks in part (a), and an explanation of the declaration of Solvency being worth 5 marks in part (b). Several candidates failed to answer, or to answer part (a) correctly, but were awarded full marks for (a) if in part (b) they made reference to a solvency requirement.

Question 5

The majority of candidates gave confident and competent descriptions of the nature of ordinary shares and debenture stocks, the vast majority correctly reasoning that ordinary shares are the more risky investment.

Question 6

Generally candidates either gained full marks or no marks for part (a). Several candidates chose to give long descriptions of the anatomy of the common law and gained no marks. Answers to part (b) were mixed, but complete and assured descriptions of the composition and function of the European Court of Justice were rare.

Question 7

A startling number of candidates thought that consideration is 'thinking about' entering into a contract. Further, I was concerned that a significant portion of candidates had learned off the key phrases without understanding the meaning of these phrases. An example of this is a candidate who stated correctly in part (a) that "consideration must be sufficient but need not be adequate" and then in answer to part (b) stated that he or she did not believe Angela should be able to sue the cereal company because the £200 voucher was worth considerably more than the tokens. Part (b) was generally well answered. *Carlill v Carbolic Smokeball Company* was referred to by almost all candidates, and most candidates understood the essential steps in the formation of a valid contract. Some candidates made interesting observations with regard to the postal rule, and with regard to the revocation of offers.

Question 8

Candidates were generally able to outline the grounds upon which dismissal is presumed fair in answer to part (a). Some candidates were though unable to distinguish acts that warrant a warning. Nearly all candidates gave a reasoned answer to part (b).

Question 9

Most candidates answered this question well, again however candidates appear to have learned off phrases without any real understanding, thinking that 'title' refers in this context to the description of the person of the seller, as opposed to legal title to sell the goods.

Question 10

Candidates demonstrated an excellent understanding of the Code of Ethics with most students gaining full marks to part (b) with ease. Parts (a) and (c) were less well answered. but good marks were still forthcoming for the most part.

