

**INSTITUTE OF LEGAL EXECUTIVES**

**UNIT 16 – PRACTICE OF COMPANY & PARTNERSHIP LAW \***

**Time allowed: 3 hours plus 15 minutes reading time**

**Instructions to Candidates**

- You have been provided with a clean copy of the case study materials for you to use in this examination.
- You have **FIFTEEN** minutes to read through this question paper and the case study materials before the start of the examination.
- **It is strongly recommended that you use the reading time to read the question paper fully.** However, you may make notes on the paper or in your answer booklet during this time if you wish.
- **All questions are compulsory. You must answer ALL the questions.**
- Write in full sentences – a yes or no answer will earn no marks.
- **Candidates may use in the examination their own unmarked copy of the designated statute book: Blackstone's Statutes on Company Law 2011-12, 15<sup>th</sup> edition, edited by Derek French, Oxford University Press.**
- Candidates must comply with the ILEX Examination Regulations.
- Full reasoning must be shown in answers. Statutory authorities, decided cases and examples should be used where appropriate.

**Information for Candidates**

- The mark allocation for each question and part question is given and you are advised to take this into account in planning your work.
- Write in blue or black ink or ball point pen.
- Attention should be paid to clear, neat handwriting and tidy alterations.
- Complete all rough work in your answer booklet. Cross through any work you do not want marked.

**Do not turn over this page until instructed by the Invigilator.**

\* This unit is a component of the following ILEX qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE** and the **LEVEL 6 DIPLOMA IN LAW AND**

## McBain Haulage Limited (MHL)

### Question 1

Chris approaches you with concerns relating to Maureen Denny. Maureen Denny is currently abroad on holiday. Chris and Kay have decided that they want to remove Maureen from her position on the board of directors.

Chris and Kay find themselves in the office discussing various matters. Both the issues of Alan's potential appointment to the board of directors and the performance of Maureen are discussed.

- (a) How can Maureen be removed from her position as a director of the company, including any steps that Maureen might take to resist her removal?

**(18 marks)**

- (b) If Chris and Kay held a general meeting of McBain Haulage Limited immediately to pass an ordinary resolution appointing Alan, would that general meeting be valid?

**(7 marks)**

**(Total: 25 marks)**

### Question 2

Assume that:

- (i) Maureen has not yet been removed from the board of directors;
- (ii) Alan has agreed to invest in the company; and
- (iii) Alan will be appointed both as director and as the managing director.

Advise Chris on:

- (a) the steps that may be taken to protect the positions of Chris, Kay and Maureen as directors;

**(15 marks)**

- (b) the steps that must be taken to appoint Alan, as both a director and as the managing director.

**(15 marks)**

**(Total: 30 marks)**

### Question 3

- (a) Advise MHL whether Duxford Tools Ltd could seek the winding up of the company and whether MHL could consider a voluntary winding up instead. In either case what action could be taken against the directors personally?

**(18 marks)**

- (b) Assuming that Alan is appointed director and he invests a total of £600,000 as equity in the company, as proposed, what would be his potential liability for the debts of the company in the event of the company becoming insolvent?

**(7 marks)**

**(Total: 25 marks)**

### C H Reese (commercial file)

#### Question 4

On the assumption that the business venture that Chris and Richard will enter into will be a partnership, advise Chris on:

- (a) what provisions should be included in the partnership agreement:
- (i) to ensure that his interests are protected;
  - (ii) to deal with the situation should Richard fail to fulfil his duties and Chris wishes to purchase Richard's share in the firm; and
  - (iii) to protect the firm's business if Richard decides to leave the firm to establish a competing business in the same area.

**(15 marks)**

- (b) his liability for the debts of the firm generally and the steps, if any, he might take to minimise his liability for such debts.

**(5 marks)**

**(Total: 20 marks)**

**End of Examination Paper**

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