

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, 15th 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**

CLP Nano Technologies Limited (CLP)

Question 1

Assume that Shivani Vadukul has not yet stepped down from the company and that the potential investment by the Milan Science and Technology Institute has not yet occurred.

It transpires that Shivani has been suffering from stress and has consequently been neglecting her duties. Unbeknown to the other directors, Shivani has failed to arrange payment of a number of trade creditors. These trade creditors are now pressing CLP for payment and in the last five days CLP has been served with statutory demands by two of them. CLP does not have sufficient funds to settle all its current creditors' claims. Martin has called an emergency meeting of the Board to discuss the consequences of failing to pay outstanding invoices.

In addition, Shivani's personal finances are also in a precarious state and her personal creditors are pushing for payment of debts.

Advise CLP with regard to the following issues:

- (a) the liability of the directors to contribute to the assets of CLP in the event that CLP is unable to pay its trade creditors.

(12 marks)

- (b) the effect on Shivani's position as a director if she were made bankrupt as a result of her personal financial circumstances.

(8 marks)

(Total: 20 marks)

Question 2

Martin has confirmed that both Mihail Roco and Sofia Lombarti will be appointed as directors of CLP as previously advised and that Mihail Roco will be awarded a fixed term service contract of a minimum period of five years.

In addition, Shivani Vadukul has said that rather than sell her shareholding in CLP, she will be transferring it to her daughter as a gift.

Advise CLP with regard to:

- (a) what documents and formalities will be required to comply with the Companies Act 2006 in respect of the appointment of both Mihail Roco and Sofia Lombarti as directors of the company and to award Mihail Roco his service contract.

(15 marks)

(b) the tax implications for:

- (i) Mihail Roco in respect of any salary and any dividends received by him from CLP;
- (ii) Shivani Vadukul, or her estate, if she gifts her shares to her daughter rather than selling the shares to a third party.

(15 marks)

(Total: 30 marks)

Question 3

Martin is now able to provide further details on the equity investment to be made by the current directors, the Milan Science and Technology Institute (the 'Institute') and Mihail Roco. The total additional investment will be as follows:

Investor	Additional shareholding to be acquired
Martin Taylor	50,000 ordinary shares of £1 each 100,000 preference shares of £1 each
Tracey Taylor	40,000 ordinary shares of £1 each
Helena Odegbune	20,000 ordinary shares of £1 each
Amel Farag	15,000 ordinary shares of £1 each
Milan Science and Technology Institute	150,000 ordinary shares of £1 each 200,000 preference shares of £1 each
Mihail Roco	10,000 ordinary shares of £1 each

The preference shares will have a nominal value of £1, be non-voting, cumulative, with a limit on the amount that can be received in a distribution but will pay a cumulative fixed dividend of 3.4% for a period of five years at which point they will convert into ordinary shares. The preference shares will be sold for £2 each. The ordinary shares will be sold for £1 each.

Advise CLP with regard to:

- (a) the necessary permissions required in order to allot the ordinary and preference shares as set out above;
(10 marks)
- (b) the documents and procedural formalities which will be required to comply with the Companies Act 2006 in respect of such allotment of ordinary and preference shares.
(15 marks)

(Total: 25 marks)

Question 4

Advise the Milan Science and Technology Institute with regard to the steps
the Institute should take:

(a) to secure its proposed loan to CLP;

(10 marks)

(b) to protect Mihail Roco and Sofia Lombarti from removal as directors.

(15 marks)

(Total: 25 marks)

End of Examination Paper

© 2012 Institute of Legal Executives

BLANK PAGE

StudentBounty.com

BLANK PAGE

StudentBounty.com

BLANK PAGE

StudentBounty.com