



THE CHARTERED 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 2012-13, 16th edition, Derek French, Oxford University Press 2012.**
- Candidates must comply with the CILEX 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 CILEX qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE and the LEVEL 6 DIPLOMA IN LEGAL**

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Brighton Road Veterinary Surgery

Question 1

You have now received confirmation that the order placed by Ingerith Johnston with Beswick plc was placed on the Brighton Road Veterinary Surgery (the 'Surgery') headed notepaper, copy attached (**Document A**).

- (a) Advise Beswick plc whether the Surgery is bound by this order and, if it is bound, against which partners Beswick plc could commence action for the outstanding debt.

(19 marks)

- (b) Advise Ingerith Johnston in relation to claims that could be brought against her by the other partners in respect of her use of the fur clippers and the shampoo and the fact that she has spent less time than other partners working on the partnership business as a result of her involvement in Pet Accessories.

(11 marks)

(Total: 30 marks)

The following facts relate to questions 2, 3 and 4.

Pet Accessories (Southampton) Limited

Following your meeting with Ingerith Johnston, the decision has been taken that the business will be incorporated as a private limited company. The following additional information has also been provided:

- The Company:
 - the shelf company, Kempston Shelf Company 242 Limited, will be used as the vehicle for the new business,
 - the company's name will be changed to Pets Accessories (Southampton) Limited,
 - it will have an issued share capital of £190,000 comprising 190,000 fully paid ordinary shares of £1 each,
 - it will adopt the Model Articles for private companies limited by shares (initially unamended).
- Directors: Ingerith Johnston and Jessica Singleton will be appointed directors of the company.
- Assets:
 - Jessica Singleton will transfer her freehold interest in the outhouse to the business, having separated it from her property and free from any charges, in exchange for 95,000 fully paid ordinary shares of £1 each in the new company,
 - Ingerith Johnston will transfer her utility vehicle and office related equipment in exchange for 35,000 fully paid ordinary shares of £1 each in the new company, and will purchase a further 60,000 fully paid ordinary shares of £1 each for cash.
- Loan: Ingerith Johnston's father, Douglas Johnston, will loan the business £75,000.

Question 2

Advise Ingerith Johnston with regard to the following issues:

- (a) the tax implications for:
- (i) Pets Accessories (Southampton) Limited in respect of any dividends that the directors might declare;
 - (ii) Ingerith in respect of any salary and any dividends received by her from the new company, Pets Accessories (Southampton) Limited;
 - (iii) Ingerith if she were to gift her shares in Pets Accessories (Southampton) Limited to Edward, her brother, within the next few years.

(15 marks)

- (b) Ingerith's potential liability for the debts of the company whilst it remains solvent and in the event of it going into insolvent liquidation.

(7 marks)

(Total: 22 marks)

Question 3

Advise Ingerith Johnston with regard to the following issues:

- (a) the steps that her father, Douglas Johnston, could take to secure his loan to Pets Accessories (Southampton) Limited;
- (b) the transfer by Jessica Singleton of her property, to Pets Accessories (Southampton) Limited.

(10 marks)

(15 marks)

(Total: 25 marks)

Question 4

Advise Jessica Singleton with regard to:

- (a) what documents and formalities will be required to comply with the Companies Act 2006 in respect of the appointment of Jessica Singleton as a director of Pets Accessories (Southampton) Limited;
- (b) what steps, if any, may be taken to maintain the position of Jessica Singleton, as a director of Pets Accessories (Southampton) Limited.

(10 marks)

(Total: 23 marks)

Turn over

DOCUMENT A

(This relates to Question 1)

Brighton Road Veterinary Surgery

12 Brighton Road, Southampton, Hampshire, SO18 6TG

Ingerith Johnston, Zarek Khan, Sarah Cheung and Hilary Morris

Alan Chambers
Beswick plc
London Road
Southampton
SO3 1PD

28 November 2012

Dear Mr Chambers

Order: 150 Jewelled Collars

Thank you for speaking to me on the telephone yesterday. I confirm that the Brighton Road Veterinary Surgery would like to order 150 jewelled collars from Beswick plc for the cost of £5,000 (plus VAT). I agree to your payment terms of 28 days from the date of this order.

Please could you deliver the collars to my home address:
16 Portsmouth Road,
Southampton,
SO14 1XN.

We look forward to doing business with you in future.

Yours sincerely,

Ingerith Johnston

Ingerith Johnston

End of Examination Paper

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