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ACCA – Paper F4 (ENG)

Corporate and Business Law

June 2015

Revision Mock

Instructions

- Please complete your personal details above.
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- 1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

• Time management	• Handwriting	• Presentation and layout	• Use of English
• Points clearly and concisely made	• Relevance of answers to question	• Coverage and depth of answer	• Accuracy of calculations
• Calculations cross-referenced to workings	• All parts of the requirement attempted	• Length of answers equates to marks available	• Read the question carefully

- 2 For each question, please provide suitable constructive comments

Question Number	General Comments	Exam Technique Comments

ACCA REVISION MOCK

Corporate and Business Law

June 2015

Time allowed 2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and **MUST** be answered.

Section B – ALL 5 questions are compulsory and **MUST** be answered.

Do NOT open this paper until instructed by the supervisor.

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Paper F4 (ENG)

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SECTION A

ALL 45 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED

- 1 In the context of the English legal system, which one of the following usually forms a binding precedent?
- A The ratio decidendi
 - B The obiter dicta
 - C A decision made by a lower court
- (1 mark)**
- 2 The courts use a number of tests to determine if a person is employed or self-employed. Which one of the following is not one of the tests used to determine employment status?
- A The economic reality test (or multiple test)
 - B The integration test
 - C The factual test
 - D The control test
- (2 marks)**
- 3 What is the effect of a successful claim of contributory negligence?
- A The claimant is found to be responsible for his own injuries so his claim is dismissed
 - B The claimant is partially responsible for his own injuries thus his level of damages is reduced
 - C The claimant is found to be responsible for his own injuries and must therefore compensate the defendant for bringing the action against him
- (1 mark)**
- 4 In the context of the tort of negligence, manufacturers owe a duty of care to the end consumers of their products. Which of the following is this principle known as?
- A Volenti Non Fit Injuria
 - B The Neighbour Principle
 - C Novus Actus Interveniens
 - D Res Ipsa Loquitur
- (2 marks)**
- 5 In the event of winding up, the liability of shareholders in a company is limited to an amount agreed to be contributed. This is an example of what type of company?
- A A public limited company
 - B A private company limited by shares
 - C A private company limited by guarantee
- (1 mark)**

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- 6** Bale Ltd receives a loan for £1m secured against the company's business premises.
This security is an example of which of the following?
- A A floating charge
 - B A fixed charge
 - C A crystallised floating charge **(1 mark)**
- 7** In the English legal system, there are a number of important distinctions between civil law and criminal law.
Which of the following statements are features of the civil law system?
- (1) It is a form of private law
 - (2) The burden of proof is beyond all reasonable doubt
 - (3) The aim is settle disputes between two parties
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3) **(2 marks)**
- 8** An employee has been informed by their employer that they are legally obliged to provide honest and faithful service.
Which one of the following statements is true?
- A This is an example of a contractual term implied by statute
 - B This is an example of a contractual term implied by common law
 - C This is most likely to be an express contract term
 - D The employer is incorrect, there is no legal obligation for an employee to provide honest and faithful service. **(2 marks)**
- 9** Craig is a trainee accountant and recently acquired suspicions that one of his clients was committing money laundering.
Which TWO of the following statements are TRUE?
- (1) Craig is required to make a qualifying disclosure of his suspicions
 - (2) Craig is NOT required to disclose his suspicions as he is only a trainee
 - (3) Craig must make his client aware of his suspicions before making a disclosure
 - (4) Craig must NOT make his client aware of his suspicions as this would amount to the offence of "tipping off"
- A (1) and (3)
 - B (2) and (4)
 - C (2) and (3)
 - D (1) and (4) **(2 marks)**

- 10** Alan places an advertisement in his local newspaper for the sale of his car for £1,000.
In the context of contract law, Alan's advertisement is an example of which ONE of the following?
- A An offer for sale
 - B A mere statement of selling price
 - C An invitation to treat **(1 mark)**
- 11 In the context of contract law, which of the following statements are TRUE?**
- (1) Consideration must be sufficient but not adequate
 - (2) Consideration can be executed or executory
 - (3) Going above and beyond existing legal duties is valid consideration
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3) **(2 marks)**
- 12 Where a company's business is carried on with the intent to defraud creditors this is known as what?**
- A Fraudulent Trading
 - B Wrongful Trading
 - C Insider Dealing **(1 mark)**
- 13 On the liquidation of a company, which of the following ranks highest in order of repayment?**
- A Ordinary shareholders
 - B Preference shareholders
 - C Floating charge-holders
 - D Fixed charge-holders **(2 marks)**
- 14** The statement of capital of Sami Ltd shows an amount of unpaid share capital that has not yet been called up from shareholders and therefore remains unpaid.
This is an example of which of the following?
- A Issued share capital
 - B Paid up share capital
 - C Called up share capital
 - D Uncalled share capital **(2 marks)**

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- 15** In the context of the tort of negligence, a duty of care is owed in respect of professional statements made where there exists a “special relationship” between the parties.

Which of the following best describes the meaning of “special relationship”?

- A Where a professional person advises any party in a professional context.
- B Where a professional person advises a known person who relies on the statement for a known purpose.
- C Where the parties are members of the same family. **(1 mark)**

- 16** In the context of employment law, which of the following statements best describes UNFAIR DISMISSAL?

- A Employee is dismissed without proper notice
- B Employee resigns due the employer committing a serious breach of contract
- C Employee is dismissed without a justifiable reason **(1 mark)**

- 17** In the context of the English legal system, which ONE of the following statements is FALSE in relation to the doctrine of precedent?

- A A precedent is not binding where it has been overruled by a higher court
- B A precedent is not binding where it has been overruled by statute
- C A precedent is not binding where the material facts of the cases differ
- D A precedent is not binding where it is based on the ratio decidendi of a previous case **(2 marks)**

- 18** In the context of the English legal system, which one of the following courts is the “court of first instance” for all criminal cases?

- A County Court
- B Crown Court
- C Magistrates Court **(1 mark)**

- 19** Sereena has recently been dismissed, with notice, by her employer due to the fact that the business has relocated to a new site 300 miles away.

Which one of the following statements is true?

- A Sereena has been wrongfully dismissed.
- B Sereena has been unfairly dismissed.
- C Sereena has been made redundant.
- D Sereena has been constructively dismissed. **(2 marks)**

- 20** In the context of employment law, which ONE of the following is NOT a remedy for unfair dismissal?

- A Re-instatement
- B Monetary compensation
- C A favourable employment reference **(1 mark)**

- 21 In the context of company law, a person who is formally and legally appointed or elected as a director in accordance with the articles of association is known as what?**
- A De facto director
 - B De jure director
 - C Shadow director
- (1 mark)**
- 22 In the context of company law, which ONE of the following requires an ORDINARY resolution of shareholders?**
- A Altering the articles of association
 - B Reduction of share capital
 - C Removing a director
 - D Altering the company name
- (2 marks)**
- 23 According to the Insolvency Act 1986, which of the following is/are possible grounds for a COMPULSORY winding up?**
- (1) A company has passed a special resolution to be wound up by the court
 - (2) A public company has not been issued with a trading certificate within one year of incorporation
 - (3) A company has not commenced business within 6 months of being incorporated
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3)
- (2 marks)**
- 24 In the context of contract law, which ONE of the following will terminate a valid offer?**
- A Acceptance
 - B A counter-offer
 - C A request for further information
- (1 mark)**
- 25 In the context of contract law, agreement requires offer and acceptance. Which ONE of the following statements regarding acceptance is FALSE?**
- A Acceptance must be communicated
 - B Silence can never amount to valid acceptance
 - C Acceptance must be communicated in writing
- (1 mark)**

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26 Which of the following are potential defences against a charge of INSIDER DEALING?

- (1) They had reasonable belief that the information was publicly disclosed
- (2) They did not profit from the transaction
- (3) They would have carried out their actions regardless of the insider information

- A (1) and (2) only
- B (1) and (3) only
- C (2) and (3) only
- D (1), (2) and (3)

(2 marks)

27 An essential element of contract is that both parties have intention to create legal relations.

Which ONE of the following statements is FALSE?

- A There is a presumption that no intention exists in social and domestic agreements
- B There is a presumption that intention exists in commercial agreements
- C Presumptions can be rebutted if there is clear evidence to determine intention
- D Presumptions can never be rebutted

(2 marks)

28 Arch Ltd is a SOLVENT company. The shareholders have passed a special resolution to liquidate the company.

This is an example of which ONE of the following?

- A Creditors' voluntary winding up
- B Members' voluntary winding up
- C Administration

(1 mark)

29 In the context of company law, which of the following statements are TRUE?

- (1) A private company can be limited by shares or by guarantee
- (2) A private company is forbidden from offering its shares to the general public
- (3) A private company must have at least 2 directors

- A (1) and (2) only
- B (1) and (3) only
- C (2) and (3) only
- D (1), (2) and (3)

(2 marks)

- 30** Niema has been continuously employed by KPP Ltd for 20 months. She is dismissed, with notice, by her employer for requesting paid maternity leave.
- Which one of the following statements is true?**
- A The reason for dismissal is automatically unfair, so Niema can bring action for unfair dismissal regardless of her length of employment
 - B Niema cannot bring an action for unfair dismissal since she has not been in continuous employment for more than 2 years
 - C Niema can claim statutory redundancy pay
 - D Niema can claim constructive dismissal **(2 marks)**
- 31** Peter wishes to take legal action against James for an outstanding debt of £6,000.
- What track of the county court will initially hear the case?**
- A The Small Claims Track
 - B The Fast Track
 - C The Multi Track **(1 mark)**
- 32** **In the context of company law, a dividend which is paid unlawfully can be recovered from which of the following?**
- (1) Shareholders who knew or had reasonable grounds to know the dividend was unlawful
 - (2) Any director unless they exercised reasonable care in relying on properly prepared accounts
 - (3) The auditors if the dividend was paid in reliance on incorrect accounts
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3) **(2 marks)**
- 33** **According to the Criminal Justice Act 1993, a person commits the offence of insider dealing if they use inside information to do what?**
- (1) Buy or sell price-affected securities
 - (2) Encourage another person to buy or sell price-affected securities
 - (3) Disclose the inside information to anyone other than in the course of their employment
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3) **(2 marks)**

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34 In the context of contract law, which of the following statements regarding contract terms are TRUE?

- (1) Contract terms be implied by common law
 - (2) Contract terms can be implied by statute
 - (3) Implied terms override express terms
- A (1) and (2) only
B (1) and (3) only
C (2) and (3) only
D (1), (2) and (3) **(2 marks)**

35 Which of the following issues will Judges consider in establishing whether a duty of care exists?

- (1) Was the damage reasonably foreseeable by the defendant at the time of the act or omission?
 - (2) Is it fair and reasonable to impose a duty of care between the parties?
 - (3) Is there a matter of public policy that requires no duty of care to exist?
 - (4) Is there proximity between the parties?
- A (1) and (2) only
B (2) and (4) only
C (2) and (3) only
D (1), (2), (3) and (4) **(2 marks)**

36 In order to create a company a number of documents must be submitted to the Registrar.

Which of the following documents does not have to be submitted?

- A Memorandum of Association
B Articles of Association
C Statement of Officers **(1 mark)**

37 Edward is the managing director of Leach Limited. The company's auditor recently raised concerns over irregular entries in the accounts, after which Edward offered them £10,000 to ignore the matter.

Which of the following offences is this an example of?

- A Bribery
B Money Laundering
C Insider Dealing
D Fraudulent Trading **(2 marks)**

- 38 In the context of remedies for breach of contract, where a judge orders a defendant to perform their obligations under the contract this is known as what?**
- A Damages
 - B Specific Performance
 - C Injunction
 - D Rescission
- (2 marks)**
- 39 In the context of the English legal system, which one of the following best describes the literal rule of statutory interpretation?**
- A Judges interpret the wording of statute to give a non-absurd, or sensible, outcome
 - B Judges consider the mischief parliament were seeking to overcome
 - C Judges will apply the normal dictionary meaning of words used in the statute
 - D Judges consider Parliament's intention when interpreting statute
- (2 marks)**
- 40 In the context of employment law, which of the following are required for an employee to bring an action for unfair dismissal?**
- (1) Employee must have 1 year continuous employment
 - (2) Employee must serve a grievance notice on the employer
 - (3) Employee must bring action to Employment Appeals Tribunal within 3 months of dismissal
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3)
- (2 marks)**
- 41 In the context of the English legal system, which of the following are examples of delegated legislation?**
- (1) Statutory Instruments
 - (2) Acts of Parliament
 - (3) Bye Laws
- A (1) and (2) only
 - B (1) and (3) only
 - C (2) and (3) only
 - D (1), (2) and (3)
- (2 marks)**
- 42 A term in a contract that is merely incidental to the main purpose of the contract, is known as a what?**
- A Condition
 - B Warranty
 - C Innominate Term
- (1 mark)**

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43 Which ONE of the following is NOT a type of behaviour that amounts to MARKET ABUSE?

- A Improper disclosure
- B Misuse of information
- C Money Laundering **(1 mark)**

44 Kolo Ltd issued 1,000 £1 ordinary shares to James. The issue price was £1 per share, but James was only required to pay 70p per share immediately.

This is an example of what type of share issue?

- A An issue of shares at a discount
- B An issue of shares at a premium
- C An issue of shares partly paid **(1 mark)**

45 In the context of contract law, which ONE of the following is VALID consideration?

- A A promise of future payment
- B Performing an existing contractual duty
- C Past consideration **(1 mark)**

SECTION B

ALL 5 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED

- 1 On 1 April 2014, Marion contracted with Turf Limited to landscape her garden for £4,000. The contract stipulated that the work would begin on 1 August 2014, and would be completed before 31 August 2014.

However, on 1 July 2014 Turf Limited contacted Marion to say that due to a backlog of work, they would not be able to landscape her garden until sometime in 2015.

Marion was very upset by this, especially as the nearest similar quote for the work is £5,500. She told Turf Limited that they must carry out the work they agreed per their contract, and that she would be prepared to take them to court to force the matter.

Required:

- (a) State the meaning of anticipatory breach of contract. (2 marks)
- (b) Identify which of the following remedies are most likely to be awarded to Marion for breach of contract:
- (i) Specific performance
- (ii) Damages (4 marks)

(Total: 6 marks)

- 2 James has worked for Aniston Plc for 9 months as a data analyst. Recently James uncovered evidence to suggest the company was in breach of industry regulations, and he approached his manager informally to explain his concerns.

His manager told James his suspicions were unfounded, and that he should ignore the matter. After several weeks, James became more concerned and decided to write a formal letter to his manager setting out the reasons for his concerns. Upon receiving the letter, James' manager asked to see him, upon which he gave him notice of his dismissal.

Required:

- (a) State the meaning of unfair dismissal. (2 marks)
- (b) Identify the grounds on which James would be successful in a claim for unfair dismissal. (4 marks)

(Total: 6 marks)

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- 3** Azra is a qualified accountant working for Bookers & Co. Whilst preparing the accounts for her client Shifty Ltd, she noticed there were several instances of large sums of money being credited into the company's bank account from a foreign source. These funds were then immediately transferred into a separate company account, before being withdrawn as dividends by the company's sole shareholder.

The owner of Shifty Ltd has told Azra that the funds represented trading income receipts, and should be reported accordingly, however there are no invoices or other correspondence available to support this. Azra suspects the company may be committing money laundering, and is uncertain whether to raise her suspicions with the client.

Required:

- (a) Explain Azra's legal obligations under the Proceeds of Crime Act 2002 regarding the following:**

(i) Failure to report

(ii) Tipping off (4 marks)

- (b) State the penalties for failure to report and tipping off (2 marks)**

(Total: 6 marks)

- 4** Sheeran Ltd was incorporated in 2012 with issued share capital of 50,000 £1 ordinary shares. The issued share capital is fully paid up. The company is now considering raising more finance, and the directors propose to issue another 25,000 £1 ordinary shares. At the moment the market value of the shares is £1.20 per share.

The directors are keen to proceed with the share issue, but are uncertain whether they are required to obtain permission from existing shareholders, and whether there are any legal restrictions on the selling price they can set for the shares.

Required:

- (a) State the minimum selling price the directors can place on the shares, according to the Companies Act 2006. (2 marks)**

- (b) State the ways that directors can obtain authority to issue new shares. (2 marks)**

- (c) State the contents of such authority. (2 marks)**

(Total: 6 marks)

- 5** Patrick owns a fast-food restaurant business in central London.

"Taco-2-Go" serves a large variety of Mexican taco products. Patrick opened the restaurant on the same street as a long established and successful rival business "Burrito-2-Go", which serves a large variety of Mexican burrito products. Since opening Taco-2-Go the business has been extremely successful, but the owner of Burrito-2-Go has complained that Patrick has copied his business name and unfairly gained business from him.

Required:

- (a) In the context of Tort Law, state the meaning of "passing off" (2 marks)**

- (b) Explain whether Patrick would be liable for passing off in the above instance. (4 marks)**

(Total: 6 marks)