

**ACCA INTERIM ASSESSMENT**

**Corporate and Business  
Law**

**December 2011**

**Time allowed**

Reading and planning: 15 minutes

Writing: 3 hours

All TEN questions are compulsory and MUST be attempted.

**Do NOT open this paper until instructed by the supervisor.**

**During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

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**Paper F4 (GLO)**

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**ALL TEN questions are compulsory and MUST be attempted****QUESTION 1**

Explain the operation of precedent within the following:

- (a) A Common law system such as the English system.
- (b) A Civil law system.

**(10 marks)**

**QUESTION 2**

Explain the aims and functions of the following organisations:

- (a) International Chamber of Commerce. **(3 marks)**
- (b) World Trade Organisation. **(4 marks)**
- (c) Council of Europe. **(3 marks)**

**(Total: 10 marks)**

**QUESTION 3**

In the context of the UN Convention on Contracts for the International Sale of Goods explain:

- (a) the meaning of offer and when it can be terminated. **(6 marks)**
- (b) the meaning of acceptance and when it can be terminated. **(4 marks)**

**(Total: 10 marks)**

**QUESTION 4**

In relation to the ICC Incoterms explain the meaning and effect of the following:

- (a) CFR **(2 marks)**
- (b) CIF **(2 marks)**
- (c) CPT **(2 marks)**
- (d) CIP **(2 marks)**
- (e) DAF **(2 marks)**

**(Total: 10 marks)**

**QUESTION 5**

Explain the remedies of the buyer when there has been a breach of contract by the seller under the UN Convention on Contracts for the International Sale of Goods.

**(10 marks)**

**QUESTION 6**

Explain:

- (a) the meaning of and the characteristics of letters of credit.

(b) the procedure to be followed to create a letter of credit.

**(10 marks)**

### **QUESTION 7**

Explain the differences between agency of necessity and agency by ratification.

**(10 marks)**

### **QUESTION 8**

Ari conducts a manufacturing business in Beria making specialist equipment. He has discovered a new manufacturing process, which uses computer technology in a highly innovative way. In order for the process to function it requires microchips of a highly specialised nature. There are a number of specialist microchip manufacturers in Ceria and in order to get the large number of chips he requires Ari negotiates the following transactions:

- (i) Ari tells Del, who makes a particular type of chip, that he will need the chips to operate his new system. Dei assures him that the chips he will supply will be perfectly suitable for the task.
- (ii) Ari knows that Eve makes chips to the same specification and quality as Del, so he orders chips from Eve, on the assumption that they will do the task required.
- (iii) Ari approaches Flo, who usually makes less specialist microchips, to see if he can make chips to the more precise standard. In order to demonstrate their ability, Flo manufactures a prototype chip, which Ari is satisfied will work with his new process.

Unfortunately when all of the chips are delivered to Ari, none of them are suitable for use within the new machinery. Both the chips provided by Del and Eve are simply not suitable for the task required of them, and the chips actually provided by Flo are not as good as the original prototype.

**Required:**

Advise Ari whether he has any claim against the suppliers for lack of conformity with quality standards under the UN Convention on Contracts for the International Sale of Goods. You can assume that the convention provisions apply to all the transactions.

**(10 marks)**

**QUESTION 9**

Abel plc, a British manufacturer of electronic equipment, entered into contracts with two American companies Blip Inc and Clap Inc. Both Blip Inc and Clap Inc agreed to supply equipment to the value of \$1 million. In relation to carriage, the contracts merely stated that the equipment had to be delivered to Abel plc on or before 1 February 20X3.

Blip Inc had to manufacture their equipment specially. Clap Inc, however, intended to supply Abel plc from a larger stock of equipment, which it was sending to the UK.

Both companies handed their equipment over to Dab Shipping on 5 January with the agreement that the goods would arrive in the UK in two weeks time for onward delivery to Abel plc before the due date.

Unfortunately, due to extremely bad weather in the Atlantic, both lots of equipment were severely damaged during the crossing and cannot be used by Abel plc. Nonetheless both Blip Inc and Clap Inc insist that Abel plc should pay for the goods.

**Required:**

Advise the parties as to their rights under the UN Convention on Contracts for the International Sale of Goods paying specific regard to the rules relating to the passage of risk in such transactions.

**(10 marks)**

**QUESTION 10**

Ant, a Belgian entrepreneur, entered into a contract with Carl, a Dutch supplier, for the delivery of 10 tonnes of flowers per week at a specified price to an English retailer. The contract stated that the deliveries were to be made for a period of 8 weeks, from May until the end of June.

During May the contract worked well, Ant paid the weekly instalments and Carl delivered the flowers to the retailer. However, in the first week in June, Ant paid the usual instalment, but Carl did not ship the flowers to England, informing Ant that he was uncertain as to whether he would be able to supply the full 10 tonnes of flowers. Ant is very angry with Carl's failure and does not wish to have any further dealings with him.

**Required:**

Advise Ant as to what action he can take under the Convention on Contracts for the International Sale of Goods, paying particular attention to the effect of Article 73 of the Convention.

**(10 marks)**

