

ACCA FINAL 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 procedure required and the forms that have to be submitted before a public company can begin trading.

(10 marks)

QUESTION 2

With regard to payment for shares explain the meaning and effect of the following:

(a) issuing shares at a discount. **(6 marks)**

(b) the share premium account. **(4 marks)**

(Total: 10 marks)

QUESTION 3

(a) What are the statutory requirements for companies in respect of holding annual general meetings? **(5 marks)**

(b) How and when may a general meeting be convened? **(5 marks)**

(Total: 10 marks)

QUESTION 4

Briefly explain the duties and liabilities of an auditor.

(10 marks)

QUESTION 5

Describe the procedure under which a company is put into voluntary liquidation, up to and including the appointment of a liquidator.

(10 marks)

QUESTION 6

(a) Explain the meaning of corporate governance and what it covers in relation to companies. **(4 marks)**

(b) Explain the meaning of 'a principles-based approach' to corporate governance and the advantages and disadvantages of such an approach as opposed to a rules-based approach. **(6 marks)**

(Total: 10 marks)

QUESTION 7

- (a) Explain the term 'money laundering' and how such activity is conducted. **(5 marks)**
- (b) Explain how the Proceeds of Crime Act 2002 seeks to control money laundering.

(5 marks)

(Total: 10 marks)

QUESTION 8

Albert and Edward were the promoters and subscribers to the memorandum of a company that was registered on 1 June 20X5 under the name Superspeed Ltd. The certificate of incorporation issued by the registrar, in error stated the registration date as 10 June 20X5. Albert had contracted with Typo Ltd on 28 May 20X5 for the supply of stationery by Typo Ltd. On 2 June the company had transferred shares to Jennifer.

Required:

- (a) Advise Albert and Edward as to whether Superspeed Ltd is bound by the contract with Typo Ltd as Edward has found a cheaper source. **(5 marks)**
- (b) Advise Jennifer on the validity of the transfer of shares. **(5 marks)**

(Total: 10 marks)

QUESTION 9

In 20X3 Barley was appointed as managing director of Wheatear Limited, and he entered into a service contract which entitled him to a salary of \$20,000 per annum. The company's articles of association provided that the appointment of the managing director should be automatically terminated if he ceased from any cause to be a director. The articles further provided that the managing director must seek the approval of the board of directors before entering into any contract for the sale or lease of any of the company's land or buildings. At this time, the company had two other directors, but they did not play an active part in the management of Wheatear Ltd.

In June 20X5, Barley, without consulting the rest of the board, entered into an agreement to lease one of the company's warehouses to Rent a Rack Ltd for a period of ten years. The shareholders were very displeased with this breach of the articles. They now wish to remove Barley from office, and to deny that the company is bound by the agreement for lease on the ground that Barley had no authority to make it.

Required:

Advise the shareholders.

(10 marks)

QUESTION 10

In January the board of directors of Large plc decided to make a take-over bid for Median plc. After the decision is taken, but before it is announced, the following events occur:

- (i) Nic, a director of Large, tells his friend Oz about the likelihood of the take-over and Oz buys shares in Median plc;
- (ii) at a dinner party Oz, without actually telling him about the take-over proposal, advises his brother Quentin to buy shares in Median and Quentin does so.

When the take-over bid is finally made public, the stock-market price of shares in Median plc rises significantly and both Oz and Quentin make significant profits when they immediately sell their holdings.

The take-over bid, however, is referred for investigation on the basis that it might breach monopoly legislation. Before the report disapproving of the take-over bid on competition grounds is officially announced, the following further event occurs:

- (iii) Minion, a minor civil servant, reads a copy of the report lying on his boss's desk. He needs money to pay off an outstanding tax bill and so he decides to sell some shares in Median plc before their price falls.

Required:

Consider the legal position of Nic, Oz, Quentin, and Minion, in the light of the law relating to insider dealing. **(10 marks)**

