

# Examiner's report

## F4 (SGP) Corporate and Business Law

### For Paper Variant exams June 2016

#### General Comments

The purpose of this report is to provide feedback on the performance of candidates in the June 2016 examination. It identifies strengths and weaknesses demonstrated by the candidates, and also highlights best practices that those presenting themselves for the examination in the future should consider in order to maximise their prospects of success.

The June examination requires candidates to answer 45 multiple-choice questions in Section A, worth 1 or 2 marks each, and 5 short questions in Section B worth 6 marks each, in a total of 2 hours. All questions are compulsory. The multiple-choice questions are objective in that the correct answers had to be selected in order to earn marks. The short questions are also objective in the sense that the candidates had to focus on what was asked and answer it exactly to the point. No marks were given for candidates who discussed more issues than what was required in the question. The overall performance in the examinations can be improved through more thorough preparation for the examinations.

Syllabus topics on which candidates performed well included law and legal system, offer and acceptance, fraudulent and criminal behaviour, minority protection and loan capital.

Syllabus topics on which candidates performed inadequately included share capital, formation and constitution of company, management of company and corporate rescue.

While there is little evidence to suggest that the examination is actually time pressured, it is significant that some candidates did not attempt all of the questions. Even if the candidate is not certain of the correct answer, by reading and considering the choices carefully it is often possible to eliminate some of them, enabling an informed decision to be made. There is no good reason for leaving questions unanswered in an examination of this type.

#### Section A

The candidates should be better prepared for Section A. Section A constitutes 70% of the marks for the paper and if the candidates score inadequately in this section, they are likely to do inadequately in the examination. It is unsure if it is because the format is multi-choice format that candidates forgo thorough preparation, hoping that through intuition, common sense or sheer luck, they may be able to spot the correct option. Section A rewards candidates who know the rules rather than those who guess the answers.

It should be pointed out that in this examination, there are several Section A questions which deal with new subject-matter introduced by the Companies (Amendment) Act 2014. Most candidates appear to be unaware of the changes brought about by the Companies (Amendment) Act. If the reason is because they are relying on outdated books or notes that do not incorporate the amendments, then they should take care to ensure that their study materials are up-to-date.

The following is an example of a question which the majority of candidates some experienced difficulty and illustrates how, with careful reading of the question and elimination of irrelevant options, they should have been able to arrive at the correct conclusion.

**Question 32**

Steve engaged Glitzy Pte Ltd, a car workshop, to respray his vintage car. The car body started rusting after the paint was applied. When Steve wanted to claim from Glitzy Pte Ltd the cost of overhauling the car body, Glitzy Pte Ltd pointed to an exclusion clause on the invoice which Steve had signed, which provided that Glitzy Pte Ltd was not liable for any damage to the car caused by the respray.

**Why may Glitzy Pte Ltd NOT be able to rely on the exclusion clause?**

- (1) Steve is a consumer with weak bargaining power
- (2) Steve is able to prove the paint was defective
- (3) Glitzy Pte Ltd can easily obtain insurance cover for the damage caused

- A** 1, 2 and 3  
**B** 1 and 2 only  
**C** 1 and 3 only  
**D** 2 and 3 only

The question requires the candidate to choose the option that explains why Glitzy will not be able to rely on the exclusion clause. The objective of the question is to test the candidate's understanding of when an exclusion is valid. If it is valid, it can be relied on. If it is not valid, it cannot be relied on.

It can be seen that statement (2) about the paint being defective relates to whether Steve is able to prove Glitzy's negligence, but is irrelevant as to whether the exclusion clause is valid. It is precisely because Glitzy is negligent that it needs to rely on the exclusion clause. If Glitzy were not negligent, there would not even be a need to rely on the exclusion clause.

Many candidates chose B and D, so it would appear many think proof of defective paint is one of the considerations as to whether an exclusion clause is valid. Statements (1) and (3) are factors which the court considers to determine if an exclusion clause is valid. Even if the candidates were not familiar with factors (1) and (3), if they had eliminated statement (2) correctly, they would have been left with only option C.

**Section B**

When attempting the short questions in Section B, candidates must be aware that their answers have to be clear, unambiguous and to the point.

Where the question required the candidate to state or explain the law, some candidates wasted valuable time by stating all the principles they have learnt on the particular topic, when it was only necessary to state or explain one or two relevant principles as required by the question. There is no merit or marks given for stating irrelevant principles.

On the other hand, other candidates did not state any legal principles at all in their answers. It is hoped that candidates remember this is a law examination, not an examination of common sense or one where regurgitating the facts from the question without stating any legal principles will garner marks.

For instance, when required to explain which duty a director breached, it will not do to state X in the question should have done this or X should have checked that or it is fair to make X liable. A question of this nature simply requires the candidate to simply state the director's duty concerned and why, based on the facts, the ingredients of that duty are fulfilled and so the director breached that duty. A full-page answer that does not state the correct legal principle will not gain the candidate any marks. A full-page answer that regurgitates all the directors' duties without understanding or explaining how the principles can be applied to the facts in the question also does not gain the candidate any marks.

It is hoped that candidates will note that and they are expected to know relevant legal principles and apply them to a hypothetical scenario. The objective of the examination is not to ask what the candidates think makes good common sense or is fair.

## **Summary**

The examination paper is broad-based, requiring a relatively fundamental knowledge of many theories, concepts and practical applications. In order to pass it is not necessary to know any individual topic in great depth but it is necessary to know the basic principles associated with every topic in the syllabus.

Candidates should attempt all questions. While it is recognised that few individuals will be fully prepared to deal with every question, it should be possible to make a reasonable attempt at every question. Sometimes, distractors can often be eliminated by a process of deduction however this process of deduction would require some basic knowledge of legal principles.

It is vitally important that candidates read the questions in Section B carefully. Too many candidates answered the questions by writing narrative answers that were of no benefit and wasted valuable time by offering detailed answers that are irrelevant. Since each sub-part is worth 2 or 3 marks only, it is only necessary to focus specifically on what the question required, which usually involves either stating or applying one or two legal relevant principles.

It is hoped the candidates will exercise sound time management. Candidates should spend an adequate amount of time reading the multiple choice questions and their options carefully. They should not rush through the multiple choice questions only to spend a large amount of time writing copious answers to the short questions, which do not garner them marks if the copious answers are not relevant to the question.

It is hoped that candidates note the importance of reviewing the study materials before the examinations. For many candidates, whether they pass or fail the examination depends very much on their score for Section A. The only way to obtain a high score for Section A is to study the legal principles carefully and thoroughly.