

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

Monday 9 December 2013



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.

The Association of Chartered Certified Accountants

Paper F4 (GLO)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the creation and operation of law, explain the role of the following institutions:**
- (a) the legislature; (3 marks)
 - (b) the executive; (3 marks)
 - (c) the judiciary. (4 marks)
- (10 marks)**
- 2 In relation to Article 34 of the UNCITRAL Model Law on International Commercial Arbitration:**
- (a) explain the meaning of recourse against an arbitration award; (3 marks)
 - (b) describe the circumstances under which recourse against an arbitration award may be taken. (7 marks)
- (10 marks)**
- 3 In the context of the UN Convention on Contracts for the International Sale of Goods, explain the obligations relating to price placed on the buyer.**
- (10 marks)**
- 4 (a) In relation to partnership and company business forms, explain the meaning of limited liability. (4 marks)**
- (b) In relation to registered companies, explain and distinguish between:**
- (i) unlimited companies; (2 marks)
 - (ii) companies limited by guarantee; (2 marks)
 - (iii) companies limited by shares. (2 marks)
- (10 marks)**
- 5 State and explain the grounds upon which a person may be disqualified under the UK Company Directors Disqualification Act 1986.**
- (10 marks)**
- 6 In the context of the formation of companies in the UK, explain:**
- (a) the statement of capital and initial shareholdings; (4 marks)
 - (b) the articles of association, paying particular regard to how these can be altered. (6 marks)
- (10 marks)**

7 In the context of the UNCITRAL model law on international credit transfers:

(a) define the meaning of:

- (i) originator;**
- (ii) sender;**
- (iii) receiving bank.**

Note: The total marks will be split equally between each part.

(3 marks)

(b) explain how the model law allocates responsibility, between sender and receiving bank, in relation to unauthorised payment orders.

(7 marks)

(10 marks)

8 Lou is a manufacturer of tins of concentrated tomato paste, based in France. In May 2013, he entered into a contract to supply Mo, a German wholesaler, with 20 tonnes of tomato paste, to be delivered by 1 October. However, due to heavy rain during the summer of 2013 in the part of France in which he operated, the production of tomatoes was severely restricted and as a result Lou was unable to supply Mo with the contracted amount.

Also in 2013, Nu, a Korean iron manufacturer, entered into a contract to purchase 100,000 tonnes of scrap railway track from Os, a Russian entrepreneur. The material was located in St Petersburg and was to be shipped from there by 31 October 2013. However, in early October, the waterways of St Petersburg were rendered icebound and completely inaccessible, due to unprecedented weather conditions, and Os could not ship the railway track as required under the contract.

Required:

Within the context of Article 79 of the UN Convention on Contracts for the International Sale of Goods, advise Lou and Os whether or not they can avoid any claims relating to their failure to fulfil their contractual obligations on the basis that their failures were due to impediments beyond their control.

(10 marks)

9 Chu, a suitably qualified person, was appointed as the company secretary of Do Co. Since his appointment, Chu has entered into the following contracts in the name of Do Co:

- (a) an extremely expensive, long-term contract with Ex Co for the maintenance of Do Co's photocopiers;
- (b) an agreement to hire a car from Far Co which Chu used for his own non-business related purposes;
- (c) an agreement with Gro Co to landscape the garden of his, Chu's, personal house.

The directors of Do Co have only recently become aware of these contracts.

Required:

In the context of company law, with specific regard to the authority of company secretaries, advise the directors of Do Co whether the above agreements are binding on the company.

(10 marks)

- 10** At the start of 2010, Hot Co entered into the following transactions in an endeavor to sustain its operation:
- (a) It borrowed \$50,000 from Ina, secured by a floating charge. The floating charge was created on 1 April and it was registered on 15 April;
 - (b) It borrowed a further \$50,000 from Jo. This loan was secured by a floating charge created on 3 April and registered on 12 April;
 - (c) It borrowed \$100,000 from Ko-Bank. This loan was secured by a fixed charge. It was created on 5 April and was registered on 16 April.

Unfortunately, the money borrowed was not sufficient to sustain Hot Co and, in August 2013, compulsory liquidation proceedings were begun. It is extremely unlikely that there will be sufficient assets to pay the debts owed to all of the secured creditors.

Required:

Advise Hot Co as to the order of security and payment of the above debts and explain why they are placed in that order.

(10 marks)

End of Question Paper