

Fundamentals Level – Skills Module

# Corporate and Business Law (Hong Kong)

Monday 9 June 2014



**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 (HKG)

The ACCA logo consists 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 sources of law in the Hong Kong Special Administrative Region, explain the common law rules adopted by the courts in statutory interpretation.**
- (10 marks)**
- 2 In relation to employment law, explain the tests adopted by the courts in determining whether a contract is a contract of service or a contract for services.**
- (10 marks)**
- 3 In relation to the law of torts and negligence:**
- (a) Explain the meaning of tort. (3 marks)
- (b) Explain the common law duty of care. (7 marks)
- (10 marks)**
- 4 In relation to companies adopting Table A of the Companies Ordinance (Cap 32) as their articles of association, explain the power exercisable by the directors of the companies.**
- (10 marks)**
- 5 In relation to company law:**
- (a) Explain and distinguish between an annual general meeting and an extraordinary general meeting. (5 marks)
- (b) Explain special business. (2 marks)
- (c) Explain special resolution. (3 marks)
- (10 marks)**
- 6 In relation to company law, explain the liabilities of the members of the following companies:**
- (a) Companies limited by shares. (4 marks)
- (b) Companies limited by guarantee. (4 marks)
- (c) Unlimited companies. (2 marks)
- (10 marks)**

**7 In relation to company law:**

**(a) Explain how the life of a company will be affected in the course and at the end of a liquidation or winding-up process.** (2 marks)

**(b) Explain and distinguish between voluntary and compulsory liquidation.** (8 marks)

**(10 marks)**

**8** Brian, Christina and Eddy have been trusted friends for more than ten years. Last Monday, Brian offered to sell his computer to Christina for HK\$3,000. Christina told Brian that she needed time to think about the offer. In return, Brian told Christina that he would keep the offer open until Sunday.

On Thursday, without informing Christina, Brian sold the computer to another person at a higher price. On Friday, during a conversation between Eddy and Christina, Eddy told Christina about the sale of the computer.

Having heard about this on Saturday, Christina then informed Brian by leaving a message on the phone that she accepted the offer.

**Required:**

**In relation to contract law, advise Christina as to whether Brian has breached any contract between them.**

**(10 marks)**

**9** Phone Ltd is a mobile phone manufacturing company. Frankie is a director of Mobile Ltd and has been responsible for negotiating with Tablet Ltd for the purpose of acquiring all the shares of Tablet Ltd.

Both of the companies are listed companies in Hong Kong. The negotiation between the companies was kept strictly confidential prior to the public announcement about the negotiation yesterday.

Jason is a friend of Frankie. Last week, during a conversation between them, Frankie told Jason about the negotiation between the companies.

Subsequent to the conversation, Jason purchased a large amount of shares of Tablet Ltd and gained a huge profit when he sold the shares yesterday after the public announcement of the negotiation.

**Required:**

**Advise Jason as to whether he committed insider dealing.**

**(10 marks)**

**10** Education Ltd is a listed company in the Hong Kong Special Administrative Region. Recently, the company entered into a loan agreement with Bank Ltd under which the bank agreed to lend to Education Ltd a sum of money.

The loan agreement has, among others, the following provisions:

- (i) The company shall charge to the bank the property of the company.
- (ii) Unless the company has prior written approval from the bank, the company shall not deal with the property in whatever manner.
- (iii) The property does not include the trading stock of the company.

The loan agreement has no definition for the type of properties to be covered by the provisions of the agreement.

**Required:**

**In relation to company law, explain the nature of the charge given by Education Ltd to Bank Ltd.**

**(10 marks)**

**End of Question Paper**