

Fundamentals Level – Skills Module

Corporate and Business Law (Hong Kong)

Monday 8 June 2015



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and MUST be attempted

Section B – ALL FIVE questions are compulsory and MUST be attempted

Do NOT open this paper until instructed by the supervisor.

You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the exam paper.

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

The Association of Chartered Certified Accountants

Paper F4 (HKG)

ACCA

Section B – ALL FIVE questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

1 Frankie is an employee of Sport Ltd.

Last month, Frankie entered into a contract with Vehicle Ltd for buying a lorry for the company.

Frankie did not mention Sport Ltd in the contract though he did mention in the contract that he entered into it for an end user. Vehicle Ltd did not know that Frankie was an agent of Sport Ltd. There is now a dispute between Frankie and Vehicle Ltd over the contract.

Required:

(a) Explain the role of an agent in the formation of a contract for the principal. (2 marks)

(b) Explain whether Frankie can enforce the contract against Vehicle Ltd under his own name. (4 marks)

(6 marks)

2 Micky is the owner of a computer shop. Two days ago, Micky offered to sell a notebook computer to Cindy, a customer, at a reduced price.

Cindy accepted the offer and promised Micky that she would pay the price when she collected the computer two days later.

When Cindy went to Micky's shop this morning, Micky told her that the computer could only be sold at a higher price.

Required:

(a) Explain the importance of Cindy's promise in the formation of a contract. (4 marks)

(b) Explain whether Cindy could sue Micky for breach of contract. (2 marks)

(6 marks)

3 Catherine was a director of a computer company. Last year, a school offered to the company through Catherine to purchase computers from the company. The company rejected the offer by reason of a low profit margin.

Subsequently, Catherine, without informing the company, formed a partnership and entered into a contract for the partnership with the school for supplying the computers to the school by making use of the information about the offer which she had obtained as a director of the company ('the contract').

The partnership has earned a huge profit after the contract was completed.

Required:

(a) State the fiduciary duties being owed by the directors of a company to the company. (2 marks)

(b) Advise Catherine as to whether she was in breach of any of the fiduciary duties. (4 marks)

(6 marks)

- 4 Last year, Beauty formed a limited company together with her friends. She injected HK\$1 million into the company in the following ways.
- (1) For HK\$0.5 million, Beauty subscribed 5,000 shares of the company as fully paid at HK\$100 each.
 - (2) The balance of HK\$0.5 million was a loan by Beauty to the company, and she was given a debenture being secured by a charge on the company's assets.

Required:

Explain to Beauty what rights she has in the company as a result of:

- (a) **Subscribing to the shares of the company.** (3 marks)
- (b) **Lending the HK\$0.5 million to the company.** (3 marks)

(6 marks)

- 5 Collins is a director of a listed company. David is the director of Teaching Ltd, which is also a listed company. Several months ago, David approached Collins and discussed with Collins the intention of Teaching Ltd to take over Collins's company. Immediately after the discussion, Collins purchased a large number of his company's shares and then gained a huge profit by selling his shares after Teaching Ltd announced to the public its intention to take over Collins' company.

Required:

- (a) **State two circumstances under which a person may commit insider dealing.** (2 marks)
- (b) **Explain whether Collins has committed insider dealing.** (4 marks)

(6 marks)

End of Question Paper