

Fundamentals Level – Skills Module

# Corporate and Business Law (Hong Kong)

Monday 10 December 2012



**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)

# ACCA

**ALL TEN questions are compulsory and MUST be attempted**

- 1 In relation to the Hong Kong legal system, explain the importance of Basic Law to the Hong Kong Special Administrative Region.**

**(10 marks)**
- 2 In relation to the tort of negligence, explain the circumstances under which a party owes a duty of care to others.**

**(10 marks)**
- 3 In relation to employment law, explain the grounds upon which an innocent party can terminate a contract of employment upon its breach by the other party.**

**(10 marks)**
- 4 In relation to agency law, explain whether an agent shall ever be liable for a contract entered into on behalf of the principal.**

**(10 marks)**
- 5 In relation to company law, explain the following:**

  - (a) Authorised capital;** **(5 marks)**
  - (b) Issued share capital;** **(2 marks)**
  - (c) Premium.** **(3 marks)**

**(10 marks)**
- 6 In relation to the insolvency of a company:**

  - (a) Explain what is liquidation;** **(2 marks)**
  - (b) State the grounds for a voluntary liquidation;** **(4 marks)**
  - (c) State the grounds for a compulsory liquidation.** **(4 marks)**

**(10 marks)**
- 7 In relation to company law, explain and distinguish between a fixed charge and a floating charge.**

**(10 marks)**

- 8 Jordan is the owner of a fruit store. Last month, he contracted with a fruit supplier, Andre Ltd, for purchasing 1,000 apples at a price ('the Price'). It was expressly agreed between the parties that the apples had to be 'in good condition' ('the Term') when they were delivered to the store.

Jordan paid the supplier the Price after the delivery of the apples yesterday. However, Jordan has discovered this morning that 30 of the apples are rotten.

**Required:**

**In relation to contract law, advise Jordan as to whether he has the right to return all the apples to the supplier, Andre Ltd, and demand Andre Ltd to refund him back the Price.**

**(10 marks)**

- 9 Ivan, Jason and Kelvin are the directors of Trading Ltd. Angus is a non-executive director of the company. Angus himself is also a director and the majority shareholder of Sport Ltd.

Last week, in a directors' meeting being attended by all the directors, Trading Ltd decided to enter into a contract with Sport Ltd. In the meeting, thinking that his role in Trading Ltd is only to ensure all the trading documents of the company are properly made, Angus did not disclose his relationship with Sport Ltd at the time the decision was made to enter into a contract with Sport Ltd.

Ivan has discovered the relationship between Angus and Sport Ltd and has demanded Angus pay back to Trading Ltd the profit he earned under the contract with Sport Ltd.

**Required:**

**In relation to company law, advise Angus as to whether he needs to pay back to Trading Ltd the profit he earned under the contract.**

**(10 marks)**

- 10 Maria is the secretary of Ever, who is a director and majority shareholder of Land Ltd, a listed company.

About a month ago, in a meeting relating to a negotiation between Ever and a director of Project Ltd, Maria discovered that Project Ltd, a listed company, was considering purchasing all the shares of Ever in Land Ltd at a price, and the result of such an acquisition would lead to a takeover of Land Ltd by Project Ltd.

Though matters relating to the meeting had not been made known to the general public, Maria informed Amy, her mother, everything about the meeting and Amy subsequently purchased a large number of Land Ltd's shares.

After the public announcement of the takeover last week, the price of Land Ltd's shares rose sharply and Maria's mother, Amy, gained a huge profit by selling her shares in Land Ltd immediately after the announcement.

**Required:**

**Advise Amy as to whether she has committed insider dealing.**

**(10 marks)**

**End of Question Paper**