

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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

The Lesotho Institute of Accountants

ACCA



Paper F4 (LSO)

ALL TEN questions are compulsory and MUST be attempted

- 1 The 'Constitution of Lesotho as a source of law and protector of human rights requires the doctrine of separation of powers.'

Explain the doctrine of the separation of powers as embodied in the Constitution of Lesotho.

(10 marks)

- 2 In relation to the law of contract, explain how the courts determine that an agreement has been reached between two parties.

(10 marks)

- 3 In relation to the law of contract, explain whether an offeror may expressly or impliedly make his offer irrevocable for a fixed time.

(10 marks)

- 4 In relation to the law of delict, discuss when pure economic loss can be recovered.

(10 marks)

- 5 Discuss the liability of an ordinary partner for the debts of a partnership registered under the Partnerships Proclamation 1957.

(10 marks)

- 6 Discuss the legal position of the managing director in a company in relation to the board of directors under company law.

(10 marks)

- 7 (a) Explain what is meant by 'winding up' in company law. (2 marks)

(b) Explain and distinguish between voluntary winding up and compulsory winding up. (8 marks)

(10 marks)

- 8 Mark has been employed as an accountant by Fancy Graphics Ltd for the past three years at a salary of R8,000 per month with tax deductions at source on a PAYE (Pay as you Earn) basis. Due to recession, Fancy Graphics Ltd decided to reduce their operating costs. They told Mark that they were unable to offer him full-time employment. However, if he wished he could become self-employed and sign a service contract with the company. Under the proposed contract Mark will continue to get R8,000 per month, do exactly the same work as he has been doing and be available for the same number of hours as before but the company would not allow Mark to work for any other person or business.

Required:

Advise Fancy Graphics Ltd if Mark would cease to be their employee under the proposed contract.

(10 marks)

- 9 Milton runs a successful dairy farm. One day his uncle John visited the farm and admired a black Jersey cow called Kajal. A few days later, Milton received a letter from John stating that he would like to purchase Kajal for R9,000 and, unless he heard from him to the contrary, he would consider Kajal his. Milton did not reply to the letter but asked his manager to keep Kajal aside and not to sell it to anyone else. However, by mistake the manager sold Kajal to another buyer for R10,000. John came to the farm a week later with the money and demanded that Kajal be delivered to him.

Required:

(a) Advise John whether a contract has been formed.

(5 marks)

(b) Assume the manager did set aside Kajal and Milton waited for John to take delivery of Kajal. However, as John could not raise R9,000, he told Milton that he would not be able to buy Kajal. This made Milton furious, because he had turned away a buyer who was willing to buy Kajal for R10,000.

Required:

Advise Milton.

(5 marks)

(10 marks)

- 10 Smart Furniture (Pty) Ltd is a recently incorporated company in Lesotho. Its main object is to sell old furniture. The directors of Smart Furniture Ltd wish to increase the authorised share capital of the company to R500,000 and to change the name of the company to Best Furniture Ltd.

Required:

(a) The directors seek your advice on the statutory requirements which apply to the calling of the meeting, and the resolutions that may be required, to give effect to the above two proposals.

(4 marks)

(b) You have also been approached by Sam, a shareholder, who holds 60% of the shares in Smart Furniture (Pty) Ltd. He wishes to propose a resolution at the next annual general meeting of the company to remove the four directors, who between them hold 40% of the shares.

Advise Sam as to his right to have this resolution on the agenda of the annual general meeting, and on the action he should take, if the four directors fail to attend the meeting.

(6 marks)

(10 marks)

End of Question Paper