

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

Monday 10 June 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

The Lesotho Institute of Accountants

ACCA



Paper F4 (LSO)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system of Lesotho, explain the importance of the following as a source of law:**
 - (a) The doctrine of precedent;** (5 marks)
 - (b) Delegated legislation.** (5 marks)

(10 marks)

- 2 In relation to the contents of a contract, explain the ways in which an exemption clause may be incorporated into a contract by reference to other outside terms and conditions.**

(10 marks)

- 3 In relation to the law of delict, explain the concept of wrongfulness.**

(10 marks)

- 4 In relation to the law of agency, explain and distinguish between actual and ostensible authority of an agent.**

(10 marks)

- 5 In relation to the Companies Act 2011, explain the procedure for the formation of a limited company.**

(10 marks)

- 6 Explain the meaning attributed to the term 'director' in the Companies Act 2011.**

(10 marks)

- 7 In relation to employment law, explain the meaning of the following:**
 - (a) Constructive dismissal;** (4 marks)
 - (b) Summary dismissal.** (6 marks)

(10 marks)

- 8 Mohapi, an avid stamp collector, saw an advertisement in the Daily News offering rare stamps for sale. He travelled to buy some of the stamps from the seller and collector of the rare stamps, Sam. Mohapi looked at Sam's collection of rare stamps and offered to buy three of them for a total price of R5,000. Sam, however, was not willing to sell them for less than R7,000. Mohapi then told Sam that he needed time to think about it over supper and Sam agreed not to sell them before Mohapi returned.

However, when Mohapi returned to buy the stamps, he found that Sam had already sold them to someone else, who paid R6,000 for them.

Required:

In the context of contract law, advise Mohapi if he can take action against Sam for not selling the stamps to him.

(10 marks)

- 9 Chaba and Napo established a wholesale business dealing in fresh fruits and vegetables called Best Greengrocers Ltd in January 2006. Both have been the major shareholders and the sole directors managing the company from the beginning. Another six shareholders held less than 5% of the issued and paid up capital. Unfortunately, the business never picked up and though it did make a small profit in 2007, it was too small in comparison with losses that the company incurred in all the other years. However, Best Greengrocers Ltd managed to carry on trading by using their R50,000 overdraft facility with the Lesotho Bank.

In January 2009, Best Greengrocers Ltd entered into a large contract in the asparagus futures market, but by July 2009 it had lost R100,000 on the contract. As a result, Chaba and Napo had to delay the payments on their outstanding contracts. However, they thought that they could recoup their losses by relying on a buoyant apple market. However, the apple market wilted and, as a result, Best Greengrocers Ltd lost another R50,000. Undaunted, Chaba and Napo invested in the summer mango crop of 2010 but that did not work either and they lost an additional R40,000.

In October 2011, Best Greengrocers Ltd had debts of R100,000 and the realisable value of the company's assets was only R10,000.

Required:

Analyse the above scenario from the perspective of company law, advising Chaba and Napo on their potential liability under the Companies Act 2011.

Note: Assume that the Companies Act 2011 applied to the problem scenario to the exclusion of the Companies Act 1967.

(10 marks)

- 10** Chou and Ming are partners in a firm of builders in Maseru. They specialise in renovating old buildings. The capital for the firm was provided by Chou but he took no active part in the running of the partnership. The partnership agreement provided that no purchases are to be made from Tom, who was a former partner of Chou.
- Ming recently ordered building materials costing R15,000 from Tom.

Required:

Advise Chou who would be liable for the cost of the materials from Tom, and what further action he could take.

(10 marks)

End of Question Paper