

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

Monday 9 December 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 contract law, explain:**
 - (a) terms implied by customs or trade usage;** (5 marks)
 - (b) exclusion clauses.** (5 marks)

(10 marks)

- 2 In relation to the employment contract, discuss when an employee can be summarily dismissed.**

(10 marks)

- 3 In relation to remedies for breach of contract, explain and distinguish between liquidated damages and penalty clauses.**

(10 marks)

- 4 In relation to the law of delict, explain the liability of the manufacturer for a defective consumer product manufactured by it and placed on the market.**

(10 marks)

- 5 In relation to the law of agency, explain the ways in which the relationship of principal and agent can be created.**

(10 marks)

- 6 Explain the circumstances under which the corporate veil may be lifted under the Companies Act 2011.**

(10 marks)

- 7 In relation to the Companies Act 2011, explain the limitations placed on the powers of a company to issue shares at a discount.**

(10 marks)

- 8 Samuel offered the promoters of the proposed Royal Hotel Company Ltd, which was yet to be incorporated, furniture for all the rooms in the hotel. The offer was contained in a letter and was addressed to all three promoters of the proposed Royal Hotel Company Ltd. The three promoters wrote back accepting the offer to purchase the furniture. The letter was signed by all three promoters and below their signatures appeared the words: 'On behalf of the proposed Royal Hotel Company Ltd.' The furniture was then duly delivered and put in the rooms. The Royal Hotel Company Ltd was duly incorporated.**

Required:

Advise Samuel about the pre-incorporation contract with Royal Hotel Company Ltd.

(10 marks)

- 9** In January 2010, Thabo set up a business as a sole trader manufacturing shoes and boots in Maseru from leased premises. In January 2012, he formed Thabo Boots & Shoes (Pty) Ltd and transferred all the assets and liabilities of his business to it. Thabo Boots & Shoes (Pty) Ltd valued the transferred business at R150,000 and issued Thabo 150,000 fully paid shares of R1 in the company. Thabo was the sole shareholder and director of the company. The company signed a contract of employment with Thabo and agreed to pay him a salary of R5,000 per month.

When the company decided to buy modern shoe-making equipment from South Africa, Thabo made a loan to the company of R30,000 to facilitate the purchase. The loan was secured by a mortgage of the company's assets.

In June 2013, there was a fire in the factory at night and the building, together with boots and shoes, was badly damaged. Thabo had taken out an insurance policy on the building and its contents in February 2010 in his name, and has continued to pay the insurance premium every year since then.

Although the business has been trading profitably and was solvent, Thabo decided in October 2013 that he would rather retire and dissolve the company.

Required:

Advise Thabo.

(10 marks)

- 10** Sam has been a building contractor in Lesotho for many years. While building a road in Letšeng, an area with known diamond bearing rocks, Sam found and collected a pile of raw diamonds and did not report them to the authorities as required by law. Later, he sold them in South Africa for a substantial amount. To launder this amount, he built an apartment complex in Maseru, from money lent by the local banks and legitimate profits from the contracting business.

With the help of his willing accountant, Harry, the books showed the cost of building the apartment complex at R6.8 million, which represented bank loans and legitimate profits of the business. In fact, the real cost of building the apartment complex was R14 million, with the balance coming from the diamond sales. Sam rented out some of the apartments at a good rent and sold some other apartments at a huge profit.

Required:

In the context of the law relating to money laundering, advise Sam and Harry about the legality of the situation in the problem scenario and the action that may be taken against them.

Note: Candidates may assume that Sam's illicit sale of diamonds was derived from criminal activities that were punishable in Lesotho, on conviction, by imprisonment of not less than 24 months.

(10 marks)

End of Question Paper