

Fundamentals Level – Skills Module

# Corporate and Business Law (Malta)

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

The Malta Institute of Accountants



# Paper F4 (MLA)

**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 Elizabeth has been working as a shop assistant for seven years and is six months pregnant. She has often been rash and impatient with customers. Recently, she was given a second written warning which clearly stated that if she were caught being rude to customers, she would be dismissed. Yesterday, she got into an argument with a customer who did not have the correct change. Management wishes to dismiss her for a good and sufficient cause but fears that she will challenge the dismissal as unfair due to her pregnancy.

**Required:**

(a) Explain how the law defines a good and sufficient cause and which employment contracts can be terminated on the grounds of such a cause. (2 marks)

(b) Explain how Elizabeth's contract could be terminated on the grounds of a good and sufficient cause. (4 marks)

**(6 marks)**

- 2 The majority shareholder of Equity Limited has decided to increase the share capital of the company by a cash injection. The minority shareholders are short of cash but wish to subscribe to new shares in order to prevent further dilution of their shareholding. One minority shareholder, Michael, shall be transferring his shares in another Malta company in exchange for shares in Equity Limited. John, another minority shareholder, wishes to subscribe to new shares in exchange for the provision of services.

**Required:**

(a) Explain the law relating to the issue of shares for consideration other than cash. (2 marks)

(b) Explain the procedure to be followed for Michael to subscribe to new shares in kind. (2 marks)

(c) Explain whether it is possible for John to subscribe to new shares in exchange for the provision of services. (2 marks)

**(6 marks)**

- 3 Matthew is running a profitable auctioneer business. He has failed to draw up financial statements as required by law. He engages an auditor for this purpose. In the course of his work, his accountant comes across past under-declarations of tax and documents which indicate that Matthew may be involved in dealings of works of art, the origin of which appears suspicious.

**Required:**

(a) Explain whether Matthew may be held liable for committing the offence of money laundering in terms of the Prevention of Money Laundering Act, 1994. (3 marks)

(b) Explain whether the auditor is legally bound to disclose his findings. (3 marks)

**(6 marks)**

4 Patrick is the managing director and also holds the post of a director of JMBH Limited. This company markets software in the Far East. Lately there has been a downturn in business and the other directors have questioned this downturn. It has also been noted that Patrick has been less focused on his work during the last months and papers have been leaked to the other board members that Patrick is a director and a shareholder of another local company engaged in the same business as JMBH Limited.

**Required:**

(a) Explain whether Patrick could continue to hold the post of director in JMBH Limited when he also became a director and shareholder in a competing company. (2 marks)

(b) Explain the duty to disclose which directors are bound to follow. (2 marks)

(c) Explain what action may be taken against a director who breaches the obligation to disclose. (2 marks)

**(6 marks)**

5 Mark purchased a painting from an art gallery. He was under the mistaken impression that the painting was by a famous artist but after the purchase was concluded, Mark found out that this was not the case. He had the painting valued and was informed that it was not an original painting. In fact, he was told that the price he paid clearly reflected this while Mark thought that he had got a bargain.

**Required:**

(a) Explain whether the contract was validly concluded, with a valid offer and acceptance. (2 marks)

(b) Explain whether the contract could be annulled on the basis of an error as to the subject matter. (2 marks)

(c) Explain if Mark could annul the sale on the basis of fraud. (2 marks)

**(6 marks)**

**End of Question Paper**