

Fundamentals Level – Skills Module

Corporate and Business Law (Malta)

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 Malta Institute of Accountants



Paper F4 (MLA)

ALL TEN questions are compulsory and MUST be attempted

- 1 Under the Maltese judicial system, explain the manner in which the courts in Malta are structured. (10 marks)**
- 2 In terms of contract law, explain the external requisites for a valid contract. (10 marks)**
- 3 In terms of Maltese law:**
- (a) explain the duty of care which accountants must exercise in providing services to clients; and (5 marks)**
 - (b) describe what action may be taken in the event of a breach of professional duty by accountants. (5 marks)**
- (10 marks)**
- 4 In terms of the Companies Act, 1995, explain the importance of the name clause when registering a company. (10 marks)**
- 5 In terms of the Companies Act, 1995, the memorandum of association of a limited liability company must contain particular clauses:**
- (a) explain the contents of the share capital clause distinguishing between authorised and issued share capital; and (8 marks)**
 - (b) state the minimum amount of share capital a private and a public company must be registered with. (2 marks)**
- (10 marks)**
- 6 In terms of the Companies Act, 1995:**
- (a) explain when a declaration of solvency is to be prepared; and (5 marks)**
 - (b) describe the contents of a declaration of solvency. (5 marks)**
- (10 marks)**
- 7 In terms of the Companies Act, 1995 explain the procedure to be followed in the event of corporate recovery. (10 marks)**

8 James wishes to buy a car. His father agrees to pay the purchase price as a birthday gift, given that James has just turned 18. James chooses a car from a nearby second hand car dealer. He is told that it is eight years old. James takes the car but his father refuses to pay for it as he has just lost his job. James subsequently finds out that the car is actually 15 years old and its engine was completely overhauled.

Required:

(a) Advise what action may be taken by the car dealer against James and his father. (4 marks)

(b) Advise James whether he may deem the contract of sale null and void. (6 marks)

(10 marks)

9 ABC Limited is a private limited liability company having three shareholders holding different percentages of shares. The shareholders have appointed a director each to represent their interests. However, the shareholders dictate to the directors how they are to manage the business of the company.

One of the directors requires a loan and the board have approved the granting of such a loan. One of the directors fails to attend board meetings.

Required:

(a) Explain what role the shareholders are assuming in dictating to the directors how they should manage the business of the company. (4 marks)

(b) Explain whether the board was authorised to approve the granting of a loan to a director. (2 marks)

(c) Explain what action may be taken against a director who continually fails to attend board meetings. (4 marks)

(10 marks)

10 Maria Muscat is a qualified nurse. She has recently been dismissed from her job and is seeking new employment. A new private hospital is opening and Maria has applied for a post. The hospital administration have given her the option to be employed on an indefinite basis, or on a three-year fixed-term contract. Maria is getting married in 2013 but has not mentioned this to the hospital administration.

Required:

(a) Advise Maria whether she should accept an indefinite contract or a fixed-term contract. (7 marks)

(b) Explain whether Maria is obliged to mention to her new employer that she has just been dismissed, or that she will be getting married soon. (3 marks)

(10 marks)

End of Question Paper