

Fundamentals Level – Skills Module

Corporate and Business Law (Malta)

Monday 18 June 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 Explain the doctrine of precedent and the extent to which the Maltese judiciary is bound by this doctrine.**

(10 marks)
- 2 Under contract law, explain the importance of a valid offer and acceptance for a contract to be deemed valid.**

(10 marks)
- 3 In terms of the Employment and Industrial Relations Act, 2002, explain:**

 - (a) what is meant by probation; and** (5 marks)
 - (b) what notice period must be given in the event of termination of indefinite contracts of employment.** (5 marks)

(10 marks)
- 4 In terms of the Companies Act, 1995, explain the main features and contents of the articles of association of a limited liability company.**

(10 marks)
- 5 In terms of company law, explain the rights and duties of the partners of partnerships *en nom collectif* and partnerships *en commandite*.**

(10 marks)
- 6 In relation to company law, explain the following:**

 - (a) ordinary shares; and** (3 marks)
 - (b) preference shares, including the redemption of preference shares.** (7 marks)

(10 marks)
- 7 Explain the concept of corporate governance in the context of public companies.**

(10 marks)

- 8 Greystone Limited was appointed local agent for the sale and distribution of particular branded 'Greystone' products in the Mediterranean and North African region. They were granted exclusivity for the said regions by a UK company on condition that they pay them a royalty fee based on annual sales, that they effect all sales under the 'Greystone' brand, and that they do not in any way, directly or indirectly, sell or distribute the products of the UK company's main competitor.

Some time later, the shareholders of Greystone Limited established contact with the UK company's main competitor and entered into a sales and distribution agreement through another Maltese company owned by them, in order to circumvent the exclusivity agreement granted. Their argument is that the contract with the UK company was not signed by them but by a company of which they are the shareholders.

Required:

- (a) Explain what is meant by the phrase 'lifting of the corporate veil' and when this may be lifted in terms of the provisions of the Companies Act, 1995; (4 marks)

- (b) State whether the given facts give rise to an action to 'lift the veil' of Gebla Limited. (6 marks)

(10 marks)

- 9 Jane has been employed by Puzzled Limited for seven years. In the last six months, management caught her being rude to customers, she was often late in arriving to work and was caught smoking on the factory floor. She was given two written warnings and in the second warning it was clearly stated that this was the last written warning she would receive, and if her attitude did not change and she failed to improve her conduct her employment would be terminated.

Two weeks ago, Jane told her employer that she was pregnant. This week her manager reported to management that Jane continued to arrive late to work and had been offensive to her colleagues. The directors of Puzzled Limited have now decided to terminate Jane's employment. They are, however, concerned that she may claim that her employment is being terminated due to her pregnancy.

Required:

Advise the directors of Puzzled Limited whether, in your opinion, in the light of the above facts Jane's employment could be terminated for a good and sufficient cause.

(10 marks)

- 10 ABC Database Limited has been operating for the last 10 years. However, in January 2005 it discontinued all local operations and concentrated solely on its operations overseas. In view of the financial crises which hit the world economy, the company's profits plummeted and its directors feel that the business is no longer sustainable. Suppliers have not been paid for some time and creditors are anxious about their debts being paid. The directors have been urging the shareholders to place the company into liquidation but they are reluctant. The company's chief financial officer is considering taking on the role of liquidator following a request by the directors.

Required:

- (a) Advise the directors as to their responsibilities should the shareholders not decide to place the company into voluntary liquidation. (5 marks)

- (b) Advise whether the chief financial officer is able to take on the role of liquidator and what powers he would be expected to exercise as liquidator until the company is struck off. (5 marks)

(10 marks)

End of Question Paper