

Fundamentals Level – Skills Module

Corporate and Business Law (Malta)

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 Malta Institute of Accountants



Paper F4 (MLA)

ALL TEN questions are compulsory and MUST be attempted

- 1 Under the Maltese legal system, explain the rules generally applied by the courts in interpreting legislation.**

(10 marks)
- 2 In terms of the provisions of the Companies Act, 1995 explain the procedure for the distribution of a dividend by both a private and public company.**

(10 marks)
- 3 In terms of Maltese contract law, explain the effects of a breach of contract.**

(10 marks)
- 4 In terms of the provisions of the Maltese Civil Code, explain the nature of a contract and a quasi-contract and a tort and a quasi-tort.**

(10 marks)
- 5 In terms of the Employment and Industrial Relations Act, 2002, state what information must be provided by an employer to their employee on commencement of employment, in the absence of a written contract of service.**

(10 marks)
- 6 In terms of the Companies Act, 1995, explain the rights and duties of the partners of partnerships *en nom collectif* and partnerships *en commandite*.**

(10 marks)
- 7 In terms of the Companies Act, 1995, explain how ordinary and extraordinary resolutions may be passed by the shareholders of a public and private limited liability company.**

(10 marks)
- 8 John, aged 15, spends his summer holidays working for his father's business. In his father's absence, he purchased some stock on the pretext that he was a shareholder of the company. When his father returned, he contacted the supplier to return the stock John had purchased as it was from a discontinued product line.**

Required:

 - (a) Explain whether John can be a shareholder of a limited liability company and whether he can undertake a trading activity.**

(6 marks)
 - (b) Explain whether John's father is legally entitled to return the stock.**

(4 marks)

(10 marks)

- 9** Two shareholders set up a company in Malta. They appoint Daniel as sole director and company secretary. Daniel subsequently appoints his sister as company secretary in his stead. Daniel starts carrying out activities through the company which are not covered by the company's memorandum of association and undertakes activities having a value superior to the limit imposed by the shareholders. Daniel's sister, in her capacity as company secretary, represents the company and signs contracts on behalf of the company.

Required:

- (a) Explain whether Daniel may carry out activities which are not covered by the company's objects.** (3 marks)
- (b) Explain what action the shareholders may take against Daniel.** (4 marks)
- (c) Explain whether Daniel's sister, as company secretary, may bind the company.** (3 marks)

(10 marks)

- 10** Matthew, Mark and Luke are the shareholders of a company, MML Limited (MML). Matthew and Mark each own 300 ordinary shares in the company whereas Luke owns 200 ordinary shares and 200 cumulative redeemable non-voting preference shares entitled to receive a rate of return of 10% per annum. Luke has decided to buy some property and he has been requested by the bank to pledge his shares in MML by way of guarantee for the loan he requires. Matthew and Mark are not in favour of Luke pledging his shares in the company.

Required:

- (a) Explain whether Luke's rights as a shareholder of MML may be varied without his consent.** (3 marks)
- (b) Explain Luke's rights in virtue of his preference shareholding.** (4 marks)
- (c) Describe the procedure to be followed in order for Luke to pledge his shares in MML.** (3 marks)

(10 marks)

End of Question Paper