

Fundamentals Level – Skills Module

# Corporate and Business Law (Malaysia)

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**

# Paper F4 (MYS)

# ACCA

**ALL TEN questions are compulsory and MUST be attempted**

**1 In relation to the Malaysian legal system:**

- (a) Define 'law'.** (2 marks)
- (b) Sources of Malaysian law comprise both written and unwritten law.**
  - (i) Explain unwritten law.** (2 marks)
  - (ii) Explain THREE sources of written law.** (6 marks)

**(10 marks)**

**2 In relation to employment law, explain the remedies available to an employee who has been unjustifiably dismissed.**

**(10 marks)**

**3 Explain, with reference to relevant examples and decided cases, the THREE main elements of the tort of negligence.**

**(10 marks)**

**4 With reference to the Partnership Act 1961, state and explain FIVE situations where the court may order the dissolution of a partnership.**

**(10 marks)**

**5 (a) Explain and distinguish between a private company and a public company.** (4 marks)

**(b) State TWO advantages of a private company compared to a public company.** (2 marks)

**(c) State FOUR documents which must be lodged with the Registrar of Companies for the registration of a company.** (4 marks)

**(10 marks)**

**6 In relation to insider trading, and with reference to the Capital Markets and Services Act 2007:**

**(a) define 'insider'; and** (3 marks)

**(b) (i) state the matters which the insider is prohibited from doing; and  
(ii) state the consequences of conducting prohibited matters.**

**Note: The total marks will be split equally between each part.** (7 marks)

**(10 marks)**

- 7 (a) State and explain THREE rights which may be given to preference shareholders. (6 marks)
- (b) (i) Explain how a company may vary the class rights attached to a class of shares, assuming that the company has adopted Table A of the Fourth Schedule to the Companies Act 1965 as its articles of association and the class rights are stated therein. (2 marks)
- (ii) Explain whether your answer to part (i) above would differ if the class rights were stated in the memorandum of association instead of the articles of association. (2 marks)

**(10 marks)**

- 8 The objects clause of Bisco Bhd ('the company') states that its sole object is the manufacture and sale of all kinds of biscuits. Last month, the company purchased a hotel at a cost of RM100 million from Otel Bhd. The purchase was made pursuant to a decision of the board of directors to make the company venture into the hotel industry. Otel Bhd has been fully paid and the purchase has been completed.

Last week the board of directors announced that they intended to have the hotel renovated and have entered into negotiations with Renova Sdn Bhd for carrying out the renovations. The contract for the renovation is expected to be signed within the next two weeks.

Oppo, a member of the company, is entirely against the idea of the company venturing into the hotel industry. He contends that the company cannot legally carry on a hotel business without an appropriate alteration to its objects clause. He has threatened to institute legal action to declare the purchase of the hotel invalid. He has also threatened to seek an injunction to stop the company from proceeding with its intention to engage Renova Sdn Bhd to renovate the hotel. In addition, he has threatened to sue the directors to make them personally liable to the company for any loss to the company arising from the purchase of the hotel.

The directors seek your advice as to whether Oppo's contention is correct and whether he is likely to be successful in his claims.

**Required:**

**Advise the board of directors.**

**(10 marks)**

- 9 (a) Ali is the managing director of Goodbiz Sdn Bhd ('the company'). The company appointed Chong as one of its directors at its last annual general meeting three months ago. The articles of association of the company states that all directors must acquire and hold at least 5,000 shares in the company, within six months of their appointment.

Ali wishes to know whether Chong is disqualified to act as a director because he has not to date acquired the required number of shares.

**Required:**

**Advise Ali.**

(5 marks)

- (b) Nila Furniture & Co ('Nila') is a partnership business which supplies office furniture. Recently, Suria Bhd ('Suria') entered into a contract with Nila for the purchase of office furniture valued at RM9,000.

The decision to award the contract to Nila was made three weeks ago at a meeting of the full board of directors of Suria.

One of the directors of Suria, Chandran, is also a partner of Nila. Chandran did not disclose this fact to Suria, or its board. A further fact was that although Chandran was present at the board meeting, at which the decision to award the contract to Nila was made, he remained silent throughout the meeting and did not vote on the matter.

Yesterday, Suria discovered that Chandran is a partner of Nila. It seeks your advice as to whether it may avoid the contract with Nila.

**Required:**

**Advise Suria Bhd.**

(5 marks)

**(10 marks)**

- 10 (a) Girlie, aged 15 years, the daughter of a well-known school headmaster, wanted to attend a birthday party for her friend, Jackie, the daughter of a glamorous film star. As she did not have a new dress for the function, she ordered an expensive silk dress from a famous boutique. The dress cost RM3,000. She used the dress for the function but has not yet paid the purchase price of the dress. The boutique owner wishes to sue Girlie for the purchase price.

**Required:**

**Advise the owner of the boutique on her prospects of success.**

(5 marks)

- (b) In April 2013 Betty borrowed RM200,000 from Duit and promised Duit that she would repay the loan before October 2013. Betty did not keep her promise and Duit has threatened to sue her. Two weeks ago Betty's father, Boss, offered to pay RM100,000 to Duit, if Duit would accept the sum as full settlement of the loan made to Betty, and release her from her obligation to pay the balance. Duit agreed to this proposal and Boss paid the sum of RM100,000 to Duit last week. Yesterday Duit's solicitor, Mr Tuntut, contacted Betty and told her that she was still liable to pay the balance of the loan. Mr Tuntut stated that Duit's promise to release her from the balance of the loan was not binding on Duit.

Betty seeks your advice whether she is bound to pay the balance of the loan.

**Required:**

**Advise Betty.**

(5 marks)

**(10 marks)**

**End of Question Paper**