

Fundamentals Level – Skills Module

# Corporate and Business Law (Scots)

Monday 9 June 2014



**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 (SCT)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

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

- 1 (a) In relation to the Scottish legal system, explain the meaning of:
- (i) criminal law; (3 marks)
  - (ii) civil law. (3 marks)
- (b) Explain the hierarchy of courts dealing with criminal law. (4 marks)
- (10 marks)**
- 2 In relation to the law of contract, explain the rules relating to:
- (a) acceptance of an offer; (6 marks)
  - (b) revocation of an offer. (4 marks)
- (10 marks)**
- 3 In relation to the DELICT OF NEGLIGENCE, explain:
- (a) the standard of care owed by one person to another; (6 marks)
  - (b) remoteness of damage. (4 marks)
- (10 marks)**
- 4 In the context of payment for shares issued by a company, explain the meaning and legal effect of the following:
- (a) capital maintenance; (2 marks)
  - (b) issuing shares at a premium; (4 marks)
  - (c) issuing shares at a discount. (4 marks)
- (10 marks)**
- 5 In the context of partnership law, focusing particularly on the liability of the members, explain each of the following:
- (a) an ordinary partnership; (2 marks)
  - (b) a limited partnership; (3 marks)
  - (c) a limited liability partnership. (5 marks)
- (10 marks)**

**6 In relation to company law:**

**(a) explain the meaning of, and procedures involved in, voluntary liquidation; and** (6 marks)

**(b) explain and distinguish between:**

**(i) a members' voluntary liquidation;** (2 marks)

**(ii) a creditors' voluntary liquidation.** (2 marks)

**(10 marks)**

**7 In relation to employment law, explain the meaning of redundancy and the rules which govern it.**

**(10 marks)**

**8** Apt Ltd is a small independent book company, which specialises in publishing modern poetry. In January 2013 it signed a contract with a new poet, called Bel, to publish her second book of poems in August 2014. In March 2013, Bel won a prestigious award for her first book of poems, which had been published privately.

In the light of the fame which now attached to Bel, Apt Ltd launched an extensive advertising campaign publicising the forthcoming book. The campaign was expensive, costing £50,000, but it was successful in generating great interest. As a result, Apt Ltd won a contract to supply a large book club with 100,000 copies of the book, which would make them a profit of £250,000.

Unfortunately in May 2014, Bel informed Apt Ltd that she would not be able to supply the manuscript to it as she had signed a more rewarding contract with Cax plc, a very large publishing company.

**Required:**

**In the context of Bel's anticipatory breach of contract, explain any possible remedies open to Apt Ltd.**

**(10 marks)**

**9** Cy is a member of the board of directors of Dix plc, a construction company.

He also has a significant shareholding in Fox Ltd, a company specialising in supplying building material. Last year Dix plc entered into a contract to buy a large consignment of concrete from Fox Ltd. Cy attended the board meeting which approved the contract and voted in favour of it, without revealing any link with Fox Ltd. The contract price was substantially above the market price and Fox Ltd made a considerable profit on the contract.

**Required:**

**In the context of directors' duties, advise Dix plc whether Cy has breached any of his directors' duties, and as to any action which might be taken against him.**

**(10 marks)**

**10** Gim and Hom formed an online supply company, IMP Ltd, in 2010 and have been its sole directors since then. The business has never made a profit and has only managed to carry on trading by using its £50,000 overdraft facility with Just Bank plc.

In January 2012, IMP Ltd entered into a large deal and by October 2012 it was obvious that it had lost £100,000 on the contract. Gim and Hom treated the loss as merely unfortunate and carried on trading although this meant unilaterally ignoring the limit on their agreed overdraft with Just Bank plc, and delaying the payments on their other outstanding contracts. They justified their decision on the grounds that they could recover all their losses to date from the profits of a new contract. Unfortunately, their optimism was misplaced and the new contract lost an additional £100,000.

In February 2014 Gim and Hom applied to have IMP Ltd wound up, owing debts of £250,000.

The realisable value of the company's assets is £10,000.

**Required:**

**Analyse the above situation from the perspective of Gim and Hom's potential liability for either fraudulent or wrongful trading under the Insolvency Act 1986.**

**(10 marks)**

**End of Question Paper**