

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

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 (SGP)

The ACCA logo consists 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 In relation to the rules of statutory interpretation, explain:**
- (a) the literal rule; (2 marks)
 - (b) the *ejusdem generis* rule; (2 marks)
 - (c) the golden rule; and (3 marks)
 - (d) the mischief rule. (3 marks)
- (10 marks)**
- 2 In relation to the law of contract:**
- (a) explain **TWO** ways in which an exclusion clause may become a term of the contract; (4 marks)
 - (b) state **TWO** types of liability which cannot be excluded using an exclusion clause; and (2 marks)
 - (c) state **FOUR** guidelines to determine if an exclusion clause is reasonable under the **Unfair Contract Terms Act (Cap 396)**. (4 marks)
- (10 marks)**
- 3 In relation to the law on business organisations:**
- (a) state **THREE** similarities; and (6 marks)
 - (b) **TWO** differences (4 marks)
between a limited liability partnership and a company.
- (10 marks)**
- 4 In relation to company law, explain:**
- (a) the procedure to alter class rights; and (5 marks)
 - (b) the procedure to reduce capital. (5 marks)
- (10 marks)**
- 5 In relation to company law, explain:**
- (a) how an auditor is appointed, and **TWO** statutory duties of an auditor; and (4 marks)
 - (b) how an audit committee is appointed, and **FOUR** functions of an audit committee. (6 marks)
- (10 marks)**

- 6 In relation to the law on minority protection, describe the statutory remedies available to a member of a company if he wishes to sue:**
- (a) on behalf of the company where a director has breached their duties to the company;** (3 marks)
 - (b) personally where the member has been unfairly treated.** (7 marks)
- (10 marks)**

- 7 In relation to the law on insolvency, explain the meaning of and outline the procedure for:**
- (a) a members' voluntary liquidation;** (3 marks)
 - (b) a creditors' voluntary liquidation; and** (3 marks)
 - (c) a compulsory liquidation.** (4 marks)
- (10 marks)**

- 8** Alan wished to sell his car at the highest price he could fetch. He placed an advertisement in Sunday's newspaper which read: 'Fire sale of Gorgeous X Brand car! Contact Alan at 87654321 or drop by to view the car (address provided).'

Ben called Alan and arranged to view the car. After carefully inspecting the car and making a few enquiries, Ben offered Alan \$130,000 and proposed that if he (Ben) did not hear from Alan by midnight, Ben would take his silence as assent. Alan agreed with the arrangement.

Later in the afternoon, Calvin also dropped by to view the car. Alan offered to sell the car to Calvin for \$135,000 and stated the offer was only open till 10 pm of that very day. Calvin went home to think about it. Professing to know some law, Calvin decided to accept Alan's offer by immediately sending his letter of acceptance at around 6 pm to the stated address. The letter arrived two days later.

Required:

Advise Alan on whether he has a contract with Ben or Calvin.

(10 marks)

- 9** Alex was the Chief Executive Officer and director of Pharmco Ltd ('Pharmco'), a pharmaceutical company whose shares were listed on the Singapore Exchange. Alex's wife, Alice, owned 500,000 shares in Pharmco.

Pharmco had been trying, for some years, to develop a natural herbal supplement for pregnant women. After initial set-backs, the research and development team achieved some major breakthroughs and the product, to be called 'Pre-Natal Slim', was finally ready for sale.

Just before Pharmco made a public announcement of the launch of Pre-Natal Slim, Alex advised Alice to buy another 200,000 shares in Pharmco. Alice, who was used to relying on Alex's advice on investment matters, bought the shares. The share price of Pharmco rose by 3% after the public announcement.

Required:

Advise Alex and Alice on whether they have contravened any provisions under the Securities and Futures Act.

(10 marks)

- 10** Ann, Bill and Ed, who are cousins, incorporated Great Health Pte Ltd ('Great') to engage in the wholesale and retail business of pharmaceutical products. All three were shareholders and directors of Great, with Ed being the managing director of Great. Some years passed and Ed's relationship with Ann and Bill deteriorated. Ed then did the following:
1. Ed incorporated two companies, namely Pink Health Pte Ltd ('Pink') and Ed Tan Pte Ltd ('ET'). Pink was engaged in the retail of pharmaceutical products. Pink's sole director is Ed's sister, Elaine. ET owns 100% of the shares in Pink. Ed owns 100% of the shares in ET and is ET's sole director. Ed directs Elaine on what to do concerning every aspect of Pink. Ed did not inform Great's board about the incorporation of Pink and ET because he knew Ann and Bill would eventually hear about it from their mutual relatives at family gatherings.
 2. Ed passed on records of Great's retail customers, such as their names, addresses, the items purchased, and the price of the items purchased, to Pink. Pink contacted those customers to offer its services at competitive prices.

Required:

Advise Ed on whether he has breached any duties as a director of Great, and the consequences of such breaches.

(10 marks)

End of Question Paper