

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

Monday 8 June 2015



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and MUST be attempted

Section B – ALL FIVE questions are compulsory and MUST be attempted

Do NOT open this paper until instructed by the supervisor.

You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the exam paper.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F4 (SGP)

ACCA

Section B – ALL FIVE questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** Eric is setting up a management consultancy business and wants to have a website for his business. Eric made an appointment to meet Belle, a freelance web designer. Belle told Eric that she had designed the websites of several famous management consultancy companies. Upon hearing this, Eric was impressed which prompted him to immediately sign a contract with Belle, even though he felt that her fee of \$10,000 was a bit high.

A few days later, Eric was speaking to a friend who happened to know Belle. Eric found out that Belle's statement that she had designed the websites of several famous management companies was untrue. Eric called Belle to say he no longer wanted her to design the website. Belle said it was too late because she had already done some work on the website.

Required:

- (a) Explain why Belle's statement that she had designed the websites of several famous management companies may be an actionable misrepresentation.** (3 marks)

- (b) State the type of misrepresentation Belle may have made, and the remedies Eric is likely to obtain.** (3 marks)

(6 marks)

- 2** Ann, Bill and Carl agreed to be partners and set up Big Fun to carry on the business of selling home entertainment products. Their friend, Dan, agreed that in return for \$5,000, he would stand as guarantor to enable the three of them to take a \$200,000 loan from the bank. Dan said he would not be involved in the business in any other way. Carl later had an argument with Ann and Bill and left Big Fun in March 2015.

Dan had boasted to his friend, Ryan, that he was a partner of Big Fun. Ryan was a distributor of speakers and he had entered into a contract on cash terms with Big Fun when Big Fun was first set up in 2014. As Dan came from a wealthy family and claimed to be a partner of Big Fun, Ryan entered into a second contract in April 2015 pursuant to which Ryan sold speakers to Big Fun on credit terms. Ryan was not aware that Carl had just left Big Fun. Big Fun subsequently failed to pay Ryan.

Required:

Explain whether Ryan can sue the following parties and claim from them the amount which Big Fun owed him:

- (a) Ann and Bill;** (2 marks)

- (b) Carl;** (2 marks)

- (c) Dan.** (2 marks)

(6 marks)

- 3** Soh Cables Pte Ltd (SC) was in financial difficulties. Soh, the chief executive officer and director of SC, had arranged to sell a one-year-old machine to a company called Supreme Pte Ltd (Supreme) for \$100,000. Soh knew the machine could raise \$150,000 on the market.

Supreme's sole shareholder and sole director was Soh's wife. The other two directors of SC, Pek and Woo, had approved the sale of the machine to Supreme because Soh had told them \$100,000 was a good price to sell the machine and raise the cash required to tide over SC's financial difficulties. They did not ask Soh any questions regarding the sale of the machine. They also did not know of Soh's connection with Supreme.

Required:

Explain the common law and statutory duties which the following parties may have breached as directors of SC:

(a) Soh; (4 marks)

(b) Pek and Woo. (2 marks)

(6 marks)

- 4** Mark, Nancy and Peter set up Progress Pte Ltd (Progress). Each of them hold 1,000 shares and are also directors of Progress. There is an understanding between them that they will all participate in management and share equally in the profits of the business. They choose not to pay dividends and instead take profits as directors' fees.

Mark and Nancy argued with Peter and combined their votes to remove Peter as director. Peter received no income following his removal as a director.

Required:

(a) Explain whether Peter will succeed in obtaining relief from the court pursuant to TWO provisions under the Companies Act Cap 50. (4 marks)

(b) State ONE remedy which Peter is likely to obtain pursuant to each of the TWO statutory provisions under the Companies Act Cap 50. (2 marks)

(6 marks)

- 5** Juniper Pte Ltd (Juniper) is in financial difficulties. The board of directors believes that Juniper's troubles are temporary and can be rescued by implementing a scheme of arrangement with its creditors. The board of directors wishes to retain control of Juniper during the time it undergoes corporate rescue.

Juniper has one secured creditor, Easy Bank, and 20 unsecured creditors. Juniper owes Easy Bank \$5m and \$100,000 to each of the 20 unsecured creditors. Under the proposed scheme of arrangement, Easy Bank will be placed on its own in one class of creditors and the 20 unsecured creditors will be placed together in another class of creditors.

Easy Bank and 10 of the unsecured creditors are in favour of the scheme of arrangement while the remaining 10 of the unsecured creditors are against the scheme of arrangement.

Required:

- (a) Explain why Juniper will opt for a scheme of arrangement instead of judicial management.** (2 marks)
- (b) For the purposes of classification of creditors under the scheme of arrangement, explain why Easy Bank is placed in a different class from the 20 unsecured creditors.** (2 marks)
- (c) Explain whether the support of Easy Bank and 10 of the unsecured creditors will ensure the approval of the scheme of arrangement under the Companies Act Cap 50.** (2 marks)

(6 marks)

End of Question Paper