

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

Monday 10 December 2012



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)

ACCA

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the Singapore legal system and the rules of statutory interpretation, explain and illustrate:**
- (a) the literal rule; (3 marks)
 - (b) the *ejusdem generis* rule; and (3 marks)
 - (c) the mischief rule. (4 marks)
- (10 marks)**
- 2 In relation to the law of contract, explain:**
- (a) whether silence can amount to acceptance; and (4 marks)
 - (b) whether acceptance is effectively communicated when sent or when received. (6 marks)
- (10 marks)**
- 3 In relation to the law of contract, explain:**
- (a) the meaning of discharge of contract by performance; and (4 marks)
 - (b) any **THREE** exceptions to the rule that performance must match exactly what the party has agreed to do. (6 marks)
- (10 marks)**
- 4 In relation to the law of limited liability partnerships (LLPs), explain:**
- (a) the separate legal personality of a LLP; (3 marks)
 - (b) the authority of partners to enter into binding contracts on behalf of a LLP; and (3 marks)
 - (c) the extent of liability of partners of a LLP for partnership debts. (4 marks)
- (10 marks)**
- 5 In relation to company law,**
- (a) describe the duties of company promoters; and (5 marks)
 - (b) explain the doctrine of *ultra vires* and its effect in the light of the provisions under the Companies Act Cap 50. (5 marks)
- (10 marks)**

6 In relation to company law:

- (a) state the characteristics of a floating charge; (3 marks)
- (b) explain the key advantage of a floating charge over a fixed charge; and (4 marks)
- (c) explain the consequences of not registering a charge. (3 marks)

(10 marks)

7 Explain how company law regulates the division of power between the board of directors and the general meeting.

(10 marks)

- 8** Mr and Mrs Lim (the Lims) had bought a house which they had to move into urgently. As not many contractors could complete the renovation works within the tight deadline set by the Lims, they had to settle on using Interiors Pte Ltd (Interiors). After agreeing on the renovation details, the Lims were shown a form, which contained a clause five in bold print stating:

‘Under no circumstances shall Interiors be liable for any injurious act or default by any employee of Interiors.’

The Lims did not like clause five. However, they knew they could not afford the time to look for another contractor. Interiors’ designer told them he would give them a 2% discount if they did not dispute clause five. The Lims did **not** sign on the form containing clause five. Instead they signed a renovation contract, which did **not** contain clause five.

Interiors began their work immediately. Three days into the renovation works, one of Interiors’ workers accidentally started a fire and severely damaged the Lims’ house.

Required:

Assuming Interiors had breached the renovation contract, discuss whether clause five is effective to exclude Interiors’ liability should the Lims sue for the damage caused to their house.

(10 marks)

- 9** Chan has been appointed liquidator of Hao Pte Ltd (Hao). Hao has two secured creditors, namely ABC Bank and Wealthy Bank. After ABC Bank sold off the land mortgaged to it by Hao and recovered Hao’s outstanding loan amount, ABC Bank handed over to Chan a balance of \$200,000 from the sale of the land. Wealthy Bank had taken a floating charge over Hao’s book debts. Unfortunately for Wealthy Bank, Hao owes Wealthy Bank an outstanding amount of \$400,000 but the book debts when sold only realised \$300,000.

An examination of the company’s accounts reveals the following information:

Amount owed to Wealthy Bank	\$400,000
Amount owed to trade creditors	\$200,000
Arrears in employee salaries	\$100,000
Arrears in respect of retrenchment benefits	\$80,000
Cost and expenses of the winding-up	\$60,000
Arrears in Central Provident Fund contributions	\$20,000
Arrears in tax	\$30,000

Required:

Advise Chan on how he should distribute the \$500,000 to the above list of creditors.

(10 marks)

- 10** Dawn Pte Ltd (Dawn) and Happy Pte Ltd (Happy) entered into a joint venture to incorporate a company, Sun Pte Ltd (Sun), to run the business of leasing and operating cinemas. Dawn and Happy each owned 50% of the shares in Sun, and each appointed two directors to the board of Sun.

Foo was one of the directors nominated by Dawn to the board of directors of Sun. Thus, Foo was a director of both Dawn and Sun. Dawn and Sun became embroiled in a dispute over the transfer of an asset, and subsequently Dawn commenced legal action against Sun. As a director of Sun, Foo was in charge of the operational matters in relation to the asset in dispute, which gave him access to confidential information and documents belonging to Sun that could help Dawn's case against Sun. To help Dawn's claim against Sun, Foo submitted a document to court as evidence in support of what Dawn alleged.

After Dawn's claim had been filed but before the case was heard in the court, Foo wrote several letters to Sun to assert that Dawn was right and that Sun should compensate Dawn.

Required:

Discuss whether Foo has breached any directors' duties to Sun and the consequences of Foo's breach of duties.

(10 marks)

End of Question Paper